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THE NATURE OF FOREIGN AID AND ITS IMPACT ON NIGERIA'S ECONOMIC DEVELOPMENT

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ABSTRACT

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This study is an investigative inquiry into the nature of foreign aid and its impact on Nigeria's economic development. The role of foreign aid in the growth process of developing countries has been an issue of intense debate. Foreign aid is an important issue given its implications for poverty reduction in developing countries. As the government of Nigeria explores the avenues for foreign aid assistance from developed countries, bilateral and multilateral international organizations to develop the economy by providing infrastructures and other developmental projects, it is important to evaluate the extent to which growth could be propelled by filling the savings and foreign exchange gaps in Nigeria. In light of the foregoing, this study ascertained what existing research on Nigeria aid dependency suggest regarding their impact on the Nigerian economy, it also discussed Nigeria's reasons for the current dependency on foreign aid based on existing research. To make sense out of the subject matter, this research adopted the descriptive method of data analysis because descriptive statistics enables us to present the data in a more meaningful way, which allows simpler interpretation of the data. The study is wholly anchored on the Dependency Theory as compared to the Debt Overhang Theory to give the study a firm framework of comprehensiveness. After critical analysis of the subject matter, the research arrived at the following conclusion; Nigeria has continued to benefit from all sorts of foreign assistance and in fact still collect at least as much as the amount collected in the early 1980s, yet socio-economic development has remained dismal because of the spate of corrupt practices among political leaders.

Key Words: Foreign Aid, Economic Development, Nigeria, Dependency Theory, Debt Overhang Theory.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The issue of foreign aid in developing countries gained prominence during the cold war, which pitted the United States and the former Soviet Union as the heads of the two power blocs against each other in an ideological supremacy tussle in the early 1950s. The remaining non-communist states, mostly developing countries that were not aligned with any of the blocs, were dubbed the Third World. The so-called Third World Countries maintained ostensibly friendly relations with the leaders of the polarised blocs in order to garner support for, and as a tool for strengthening and expanding the influence and power of the leaders of the two blocs in order to achieve their goals. However, with the end of the cold war and the demise of both socialism and the Soviet Union, the Third World concept lost political currency and became synonymous with developing countries struggling to emerge from economic underdevelopment and poverty (Abegaz, 2005).

Aid (also known as international aid, overseas aid, foreign aid, economic aid, or foreign assistance) is a voluntary transfer of resources from one country to another in international relations. Aid may serve one or more purposes: it may be given as a diplomatic signal of approval, to strengthen a military ally, to reward a government for desired behavior by the donor, etc. to broaden the donor's cultural influence, to build infrastructure for resource extraction from the recipient country, or to gain other types of commercial access Countries may provide assistance for additional diplomatic reasons. Foreign assistance is frequently provided for humanitarian and altruistic reasons (Lancaster and Dusen, 2005).

Foreign aid's role in developing countries' growth has been the subject of heated debate. Foreign aid is an important issue because it has the potential to reduce poverty in developing countries. Previous empirical studies conducted on foreign aid and economic growth have brought conflicting results. Addison, Mavrotas, and McGillivray (2018), for example, find evidence of a positive impact of foreign aid on growth. Abegaz (2005) finds evidence of a negative relationship between foreign aid and growth, whereas the African Development Bank (AFDB) finds evidence of a positive relationship (2005). According to AFDB (2005), there is no evidence that aid has any effect on growth. Although Adelman (2017) concluded that foreign aid has positive effects, this conclusion only applies to economies where it is combined with sound fiscal, monetary, and trade policies.

Foreign aid's primary role in stimulating economic growth is to supplement domestic sources of finance such as savings, thereby increasing investment and capital stock. According to Adelman (2017), there are several mechanisms through which aid can contribute to economic growth, including (a) aid increasing investment in physical and human capital; (b) aid increasing the capacity to import capital goods or technology; (c) aid having no indirect effects that reduce investment or savings rates; and aid being associated with technology transfer that increases capital productivity and promotes endogenous technical change.

According to Addison, Mavrotas, and McGillivray (2018), four major alternative views on aid effectiveness have been proposed: I aid has diminishing returns, (ii) aid effectiveness is influenced by external and climatic conditions, (iii) aid effectiveness is influenced by political conditions, and (iv) aid effectiveness is dependent on institutional quality. It is worth noting that aid flows to developing countries have increased significantly in recent years, while other types of flows, such as foreign direct investment and other private flows, have decreased.

According to the World Economic Outlook Database (2019), for example, foreign direct investment and other private flows are declining, and remittances are expected to fall significantly in 2009. Food and oil price increases in the last two years have taken a heavy toll on the budgets of many developing countries. Many countries do not have adequate fiscal resources to deal with the current financial crisis. According to the OECD (2019), total net Official Development Assistance (ODA) from members of the OECD's Development Assistance Committee (DAC) increased by 10.2% in real terms in 2008 to US$119.8 billion, with the figure expected to rise to US$130 billion by 2019, Africa is the recipient of the most foreign aid net bilateral ODA from DAC donors to Africa, for example in 2018 totalled US$26 billion, of which US$22.5 billion went to sub-Saharan Africa.

Nigeria is a mineral-rich country with over thirty minerals, including gold, iron ore, coal, and limestone. Following a decade of robust economic growth of 7.5% on average, the Nigerian economy slowed in 2012. Despite the country's robust economic growth, the unemployment rate increased from 21% in 2010 to 24% in 2011. Poverty remains widespread, with a headcount that has decreased marginally from 48% in 2004 to 46% in 2010. Furthermore, during the first, second, and third quarters of 2017, Nigeria's exports increased while imports decreased, resulting in a 59 percent improvement in its trade balance and a 24 percent increase in foreign direct investment (FDI).

Official Development Aid (ODA) fell from USD 2.0 billion in 2010 to USD 1.8 billion in 2011. Total FDI in 2011 was USD 8.9 billion, accounting for 20% of total FDI to Africa in 2019. However, the majority of these investments are in the oil and gas sector. For a long time, Nigeria's underdevelopment has been linked to a lack of infrastructure, poor policy frameworks, a hostile environment, technological backwardness, unemployment, and over-dependence on imported goods, among other constraints. Interestingly, the National Economic Empowerment and Development Strategy (NEEDS) set a minimum annual GDP growth rate of 5% in 2004 but only achieved 4.2%. While a 6% growth rate was targeted in 2005 and 2006, actual growth rates were 4.5% and 6.1%, respectively. In addition, a 7% growth rate was targeted in 2007, but only 7.4% was achieved. Overall, the remarkable growth story is reflected in an average annual real GDP growth rate of more than 6% between 2004 and 2018. (IMF, 2019).

External public capital covered 25% of the required total investment in Nigeria during the three five-year plan periods (1957-1973). Similarly, during the post-revolutionary period, foreign aid financed 37% of the total annual campaign from 1979 to 1983. (Tolessa, 2018). Furthermore, foreign aid accounted for 23.2% of total revenue in the fiscal year 2010/11.(International Monetary Fund, 2018).This shows that foreign aid has been playing the great role in Nigeria‘s economy since 1950s.

These statistics show an increase in economic output, but the question remains, to what extent does this increase translate into a higher standard of living for Nigerians? Though much emphasis has been placed on domestic savings and crude oil export earnings, their ability to influence economic growth in the country is far from reality. According to the 2-Gap growth model, foreign aid should be directed to countries with a balance of payments constraint, while foreign direct investment should be directed to supplement domestic savings. Foreign aid and foreign direct investment will thus be reconsidered in order to compensate for the shortfalls in export earnings and domestic savings.

Although many studies have examined the relationship that exists between foreign aid and economic growth, the majority of such studies have focused on the link between foreign direct investments and growth on the one hand, and foreign aid and growth on the other, thus the study's focus on foreign aid and its impact on socioeconomic development in Nigeria's Fourth Republic. In line with the foregoing, the theoretical framework that gave the study comprehensiveness was the Dependency theory as well as the Debt Overhang Theory.

1.2 Statement of the Problem

Developing countries, such as Nigeria, have accumulated significant amounts of internal and external debt, particularly in the last two decades. However, it is the external debt that is currently causing significant problems and thus attracting significant public policy and academic scrutiny. The indebtedness of developing countries is not a new phenomenon. Indeed, as will be demonstrated later, some of Nigeria's debt burden is the result of and due to the pursuit of foreign aid from developed countries, which had, from the start, created the condition of economic subservience and a 'master-servant' relationship that could generate persistent seeking and lobbying for foreign aids through borrowing. This policy permanently binds Nigeria's economy to underdevelopment, dependency, and poverty.

As the Nigerian government investigates avenues for foreign aid assistance from developed countries, bilateral and multilateral international organizations to develop the economy by providing infrastructure and other developmental projects, it is critical to assess the extent to which growth could be propelled by filling Nigeria's savings and foreign exchange gaps. Consequently, despite the various economic growth models that have been implemented, the country seeks a growth model that mobilizes domestic savings in order to reduce (if not eliminate) excessive foreign aid.

The study adopted the Dependency Theory to fully understand the problematic nature of foreign aid and its impact on Nigeria's economic development because it explains in detail why Nigeria is highly dependent on external aid for money, technology, and arms. This frequently has a direct impact on her ability to become self-sufficient in political and administrative matters. This is because external donors may take advantage of the recipient's willingness to satisfy the aforementioned needs to impose terms that are most likely to further the foreign donors' strategic, economic, or organizational interests. These terms may result in the continuation or introduction of certain political, economic, and administrative measures that may allow external donors to continue to contribute influence the internal and external social, political and economic policies of dependent countries. The foregoing is what gives rise to a research of this nature.

1.3 Objectives of the Study

The general objective of this study seeks to investigate foreign aid and its impact on Nigeria's economic development while the specific objectives are to;

i. Ascertain the impact of aid dependency on Nigeria's economic growth and development
ii. Examine Nigeria's reasons for dependency on foreign aid to facilitate her economic growth and development
iii. Determine the theory that is best suited to understand Nigeria's overreliance of foreign aid to boost her economy

1.4 Research Questions

To further guide this study we pose the following research questions:

i. What is the significant impact of aid dependency on Nigeria's economic growth and development?
ii. What are Nigeria's reasons for dependency on foreign aid to facilitate her economic growth and development?
iii. What is the theory that is best suited to understand Nigeria's overreliance of foreign aid to boost her economy?

1.5 Significance of the Study

The findings of the study are expected to be very important to the federal ministry of finance once it is completed. Who are tasked with managing and maintaining the federal government account, as well as developing policy to create an enabling environment for lucrative foreign investments that will help to reduce Nigeria's financial reliance on the Western world.

The study will also be of great interest to investors and potential investors because it seeks to quantify the impact of foreign aid, thereby focusing on areas of potential investment.

The study will also be useful to researchers who plan to conduct research on a similar topic because it will serve as a guide for their research. Finally, the research will benefit both academic students and the general public.

1.6 Research Methodology

Every discipline has its own method of carrying out research. The methodology used in the compilation of this work, is the fusion of the historical analytical method and the use of critical analysis which involves breaking down of complex of familiar terms for proper clarity or simplicity and this method will be implacable in the whole chapters. This research adopted the historical analytical analysis also known as content analysis because it enables us to present the data in a more meaningful way, which allows simpler interpretation of the data.

1.7 Scope and Delimitation of the Study

The scope of the study covers the foreign aid and its impact on Nigeria’s economic development from 1999-2019.

Several studies have attempted to make sense of the causes and effects of foreign aid on the economic development in Nigeria’s fourth republic but not much have reviewed the contemporary nature and scope of the subject matter to a satisfying degree. This is where this study comes into light because it seeks to shed more light on the subject matter.

1.8 Limitations of the Study

In the course of the study, the researcher has encountered some constraints that has posed a challenge to the quality of this research. They are;

Availability of contemporary research material: The research material available to the researcher is insufficient and out of date as a result of the federal government of Nigeria's lack of transparency, as most of their expenditures from monetary foreign aid flows were not published as a result of perceived fraud and money laundering on the part of the country's political leaders. This was a significant constraint because statistics on how money from foreign aid flows is spent in various sectors of the Nigerian economy are out of date. However, the researcher was able to articulate something presentable thanks to good time management and the availability of some research journals, textbooks, and articles. The researcher read through available journals on the subject matter and extracted relevant information to make sense out of the research.

1.9 Operational Definition of Terms

Foreign Aid: Foreign aid is financial help provided voluntarily by one country to another, which might take the form of a gift, grant, or loan. In the United States, the word usually refers to the federal government's military and economic support to foreign governments.

Socio-Economic: This is anything relating to or concerned with the interaction of social and economic factors.

Economic Development: Economic development can be defined as initiatives that strive to improve a community's economic well-being and quality of life by creating and/or retaining jobs and supporting or growing incomes and the tax base.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Introduction

This chapter focuses on works or write ups that are of importance and relevance to foreign aid and it impact on socio economic development in Nigeria. It also deals with the theoretical thrust which the study is anchored. The review will include the following sub-themes;

2.1 Theoretical Framework

This research is based on the Debt Overhang Theory and Dependency Theory in an attempt to provide this study direction and comprehensiveness. The next paragraphs will explore the primary proponents of the theories and which one is most suited for the research.

2.1.1 Debt Overhang Theory

Keith Poole and Howard proposed the debt-overhang idea in 1972. Debt-overhang happens when a country's debt exceeds its ability to repay it. Debt overhang theory attempts to explain the situation in which a government or commercial entity has so much existing debt that it cannot simply borrow more money, even if the new borrowing is a good investment that would more than pay for itself. This issue arises, for example, if a corporation has a new investment project with a positive net present value (NPV) but is unable to capitalize on the opportunity due to an existing debt position, i.e., the face value of the existing debt is more than the expected payback. As a result, equity holders will be hesitant to invest in such a project because the debt holders will gain the majority of the rewards. Furthermore, loan holders will not finance the corporation if the company cannot persuade them that the project will not fail.

The issue arises when existing debtholders of a company can be expected to claim (part of) the profits from the new project, resulting in a negative NPV for the project (when undertaken by this company). As a result of carrying too much debt, any profits from new investment ventures are largely seized by existing debt holders. A company with a debt overhang cannot issue fresh junior debt since default is imminent. Furthermore, greater debt will exacerbate the problems of debt overhang rather than alleviate them. Furthermore, the firm's shareholders do not want to issue new stock because this would force shareholders to bear some of the losses that junior creditors would have borne. As a result, the company refuses to support projects with a positive net present value. Myers was the first to raise this issue (1977).

Debt overhang can harm companies or institutions who have a lot of debt but are solvent because the value of their assets exceeds the value of their liabilities. Debt overhang also inhibits insolvent enterprises with assets worth less than liabilities from recovering from their problems. Successful bankruptcy reorganizations enable firms to reduce their debt levels while also allowing new private shareholders to carry enough of the rewards from new investments to encourage them to pursue new projects with positive projected net present value.

The debt overhang idea has been used to sovereign governments, mostly in developing countries (Krugman, 1988). It refers to a situation in which a country's debt exceeds its future ability to pay it. The motivation for the successful Jubilee 2000 campaign was debt overhang in emerging countries. Following the bankruptcy of Lehman Brothers in September 2008 and the accompanying losses in stock markets worldwide, governments exploited the problem of debt overhang as rationale to infuse capital into banks all over the world. Nonetheless, during the 2007-2008 financial crisis, many countries, notably the United States, predominantly purchased newly issued preferred shares. Preferred stock, like debt, is paid before common stock and pays periodical dividends that are akin to interest.

Merits of the Debt Overhang Theory

The "debt overhang" hypothesis is one of the moral hazard analyses of the present debt crisis. Their supporters believe that a "debt overhang" disincentivizes adjustment. Both ideas have been placed in a specific context. In a two-period model, "adjustment" (also known as economic reform) refers to the debtor's decision to invest or consume.

In the first period, the economy "inherited" a certain amount of debt that must be serviced in the second term. In period one, the decision is whether to consume or invest, with the latter providing a return in period two, which serves to pay back the loan and consume. In the presence of a "debt," this decision is assumed to be biased toward consumption. The difference between the face value of outstanding debt and its market value is defined as the expected present value of future resource transfers from the borrower to the lender.

In period two, the "debt overhang" may operate as a levy on the debtor's consumption. This is because, for over-indebted countries, debt servicing is no longer determined by planned interest and amortization, but rather by arrears and involuntary lending. If a debtor only pays back a portion of his loan, lower consumption in period one is not compensated by increased consumption in period two, because the creditor would gain all or most of the benefits of that adjustment effort.

As a result, investing is not profitable. Instead, the country will deplete its resources in period one and then (have to) default on its debt. As a result, debt relief would improve a debtor country's incentive to make an adjustment effort (to invest), because it would give the debtor a larger portion of the benefits of investment. Debt relief would benefit both the debtor and the creditor because at least a portion of the debt has been repaid.

Demerits of the Debt Overhang Theory

Lender risk: Lenders are hesitant to lend to a state that is experiencing a debt overhang. International banks, such as the IMF, may be concerned that the state would not pay its overdue sum. They may still take the risk, but they will almost certainly demand a higher interest rate.

Decrease in spending/investing power: A big quantity of debt reduces spending power, limiting a country's ability to improve production, GDP, or employment. Conversely, debt overhangs reduce investing capacity and prevent a country from investing in other possibilities such as ETFs and mutual funds.

The debt overhang theory adds a new dimension to the growth-debt issue. Its premise is that if a country's borrowing exceeds its capacity to pay, the debt servicing commitments are expected to drain the debtor's country output, hence increasing the country debt load, i.e. liquidity crisis. According to the debt overhang theory, large debt levels increase the likelihood of foreign taxation, weaken private sector incentives for savings and investment, and promote capital outflows from the local economy (Patillo, Poirson & Ricci, 2002). According to this idea, accumulating a large stock of public debt will impede economic growth and hamper developmental efforts through the channels of reduced public revenue and investment spending. It maintains that debt accumulation initially stimulates growth, but when it exceeds the debt sustainability threshold, the debt accumulation effect intensifies due to liquidity constraints, while debt servicing commitments reduce earnings from exportation within the public sector for expenditure, thereby undermining economic development.

Debt overhangs affect a sovereign developing country like Nigeria, where foreign aid loans remain the core of her foreign policy pursuit. In this context, the term refers to Nigeria's socioeconomic predicament in which her debt surpasses her prospective ability to repay it. This is constantly manifested as an output gap or economic underemployment, which is repeatedly filled by the creation of new credit. A debt overhang in Nigeria has resulted in slow growth and a deterioration of living conditions as a result of reduced funding for essential areas such as healthcare, education, and infrastructure.

2.1.2 Dependency Theory

The world's countries have been strongly separated along economic prosperity lines. Countries that are economically robust and politically stable are referred to as Developed Countries, while countries that are economically backward are referred to as Developing Countries, sometimes known as 'Third World Countries.' The dependency hypothesis strives to identify the elements that have accelerated or aided the development of poor countries. This theory assumes that resources migrate from a "periphery" of poor and developing countries to a "core" of wealthy countries, enriching the latter at the expense of the former. Poor states are impoverished and affluent states are enriched by the way poor states are incorporated into the global economy, according to dependency theory "world system" (Todaro, 2011; Amin, 2016).

Theoretical premises of dependency theory are that:

- Poor countries give natural resources, cheap labor, a destination for old technology, and markets to wealthy countries, without which the latter would not be able to maintain their quality of living.
- Wealthy nations purposefully maintain a state of reliance through a variety of tactics.
- Wealthy powers actively challenge the efforts of dependent nations to resist their sway through economic penalties and/or the deployment of military force (Todaro, 2011).

According to dependency theory, the poverty of countries on the periphery is caused not by a lack of integration or integration into the global system, as many free market economists contend, but by the manner in which they are integrated into the system. There are two schools of thinking on the subject, each having their own point of view. The first are bourgeois professors, and the second are radical neo-Marxian political economists. According to bourgeois experts, most TWCs' underdevelopment and resulting reliance is the outcome of internal tensions. This problem, according to them, can be explained by a lack of close integration, the diffusion of capital, technology, and institutions, poor leadership, corruption, mismanagement, and so on (Momoh and Hundeyin, 2015). According to this viewpoint, the TWCs' underdevelopment and reliance are caused within rather than externally. According to this school

of thought, a solution to the problem is for TWCs to seek foreign assistance such as aid, loan, investment, and so on, while allowing Multinational Corporations to operate freely (MNCs).
It is argued that development can occur through MNCs' mechanisms for transferring technology, capital, and management, design, and marketing abilities (Thomas, 2016; Ajayi, 2019). Despite this, the case of bourgeois researchers on the causes of TWC underdevelopment and dependency, as well as viable solutions, appears to be strong as a result of the TWCs' dismal socio-political history. Regardless, their analyses are cursory and obscurantist in nature, and they are intended to promote world capitalist interests.

The bourgeois or modernisation theory solution, according to radical scholars of the neo-Marxian political economy world-view, is merely Eurocentric, teleological, and will only inexorably attach the TWCs to the chain of capitalist exploitation of the metropole (Momoh and Hundeyin, 2015). Andre (2016), a renowned scholar of the neo-Marxist school of thought, contends that the absorption of TWCs into the process of global capitalist development is the root cause of underdevelopment. The Marxian political economics holds that global capitalist expansion is to blame for the establishment of the Western metropole. Paul Baran, Samir Amin, Colin Leys, Cardoso, Walter Rodney and Geoffrey Kay are among the leading scholars of this school of thought.

According to Andre (2015), "an investigation of the process of capital accumulation is the determinant nature and cause of nations' riches and poverty." Contrary to bourgeois scholars' arguments that colonialism was supposed to bring civilization to the "Dark Continent," neo-Marxists have claimed that colonialism repeatedly decapitalised the Third World and produced many distortions and dislocations in its economic and social systems. More importantly, "Third World Economies were disarticulated, forcing them to specialize in the production of unprocessed raw commodities for export to the metropolis in an international division of labor marked by unequal trade" (Momoh and Hundeyin, 2015).

Because most TWCs are underdeveloped, they rely on the West for nearly everything, including technology, aid, technical support, loans, culture, and so on. Because of their dependent status, most TWCs are susceptible and vulnerable to the intrigues of Western metropolitan countries and Breton Woods institutions (Ajayi, 2016).

Merits of the Dependency Theory

It has done well in highlighting the flaws and biases of the continuum model of development, particularly as proposed by structural functionalists. Without a doubt, the Dependency Theory has not been entirely successful in objectively analyzing the nature, breadth, and causes of underdevelopment, as well as potential cures for overcoming or overthrowing dependency.

However, it should be highlighted that it has been successful in recognizing and explaining the signs and negative consequences of underdevelopment. It describes the properties of dependence as well as its causal relationships.

Demerits of the Dependency Theory

Lack of Unity among Dependency Theorists: In the first case, opponents argue that there is a lack of agreement among dependency theorists on the precise nature of dependence and underdevelopment, the mechanisms involved in dependency relationships, and potential treatments. Dependency Theory is not a theory, but rather a collection of ideas.

There is no clear definition of dependency: Dependency theories fail to define and explain dependence and underdevelopment in a clear and unambiguous manner. They provide no appropriate benchmark for separating dependent and non-dependent countries.

Failure to encompass different factors of Under-development: When we examine the nature of underdevelopment in different Third World countries, we see that it varies by country and continent. Dependence would have been consistent in type and breadth if it had resulted solely from the spread of the World Capitalist System. The nature of underdevelopment in Latin America has been distinct from that of Asia and Africa.

All of the criticisms leveled at the dependency theory must not be used to dismiss its significance. It should be applauded not only for exposing the flaws in development and underdevelopment theories, but also for emphasizing the analysis of both the historical process and socioeconomic, political, and cultural determinants of development and underdevelopment. While some dependence theorists advocated for a socialist revolution to achieve this goal, others advocated for liberal changes such as trade balance maintenance, increased bargaining power through regional cooperation, and assimilation of new techniques through macroeconomic adjustments.

According to the Nigerian situation, the dependence theory is best suited to explain the nature and scope of this research. This is due to the dependence theory's detailed explanation of the variables responsible for Nigeria's position and her constant demand for, and reliance on, aid from wealthy and fast growing countries, a dangerous pattern that has worsened Nigeria's foreign debt profile.

According to the dependency hypothesis, Nigeria, like many other "underdeveloped" countries, has long believed it is developing. One of the main objectives of the Fourth National Development Plan 1981-1985, for example, is "self-reliance," which is defined in the plan as "increased reliance on our own resources in seeking to achieve the various societal objectives, as well as efforts to achieve optimum utilization of our human and material resources" (Fourth National Development Plan 1981-1985). However, the implementation of this development plan does not appear to represent the goal of self-reliance.

Because we tend to link development with mere artifacts created by the industrialized west and east, the illusion that Nigeria is developing has maintained over time. This erroneous understanding of development has led Nigerian officials and educators to devise a development strategy that benefits the industrialized west at the expense of Nigerians. This policy has resulted in a situation in which Nigerians export to the West. It has also resulted in a close relationship between foreign money and multinational firms and Nigerian labor. As a result of this collaboration, a number of import replacement industries with primary inputs from outside Nigeria have emerged. Nigerian officials frequently expect that this nexus between foreign finance and labor will result in; (i) technological transfer (ii) industrialization (iii) development of indigenous executive capacity (iv) catching up with the industrialized countries.

None of these admirable goals have been or are currently being met. Rather than "catching up" with the industrialized world, Nigeria is institutionalizing "underdevelopment." The stark fact of modern-day Nigeria is that the gap between rich and poor, urban and rural communities is widening. Increased unemployment, urban flight, and violent crime will astound our forefathers. A decaying agriculture system and greater reliance on imported food aggravate the situation. Nigerians reject anything created in the country and prefer foreign stuff.

A clear example is the International Monetary Fund's (IMF) stringent requirements for any potential aid loan to Nigeria. The conditions include, among other things, the depreciation of the Nigerian naira, the privatization of some government companies, the reduction of government equity involvement in commercially viable companies such as banks, trade liberalization, the reduction of social programs, and the IMF's assumption of a supervisory role in the loan package's implementation. These conditions are incompatible with Nigeria's goals of socioeconomic development and self-sufficiency because they will, in various ways, enhance the Nigerian economy's reliance on foreign assistance actors. The preceding has necessitated a thorough empirical examination of foreign aid and its impact on Nigeria's economic progress in this chapter.

2.2 Empirical Analysis

2.2.1 Overview of Foreign Aid

Foreign aid is simply help or support provided by wealthier countries or voluntary private groups to less developed countries in order to improve economic or social development in general. It differs from humanitarian aid, which is aimed at reducing poverty in the near term rather than the long term. Foreign aid, also known as Official Development Development (ODA), is typically provided by governments through individual countries' foreign aid agencies and multilateral institutions such as the World Bank, as well as charitable groups (such as Action Aid and Oxfam) (Alimi, 2018).

Foreign aid is used to cover all financial transactions between governments that are made or guaranteed by one government. Indeed, foreign aid has become a focal point and a focal point in the Third World. It has taken on the role of a foreign policy tool by Western democracies in order to deepen their relationship with, and hence spread their influence over, the Third World.

Ajayi (2016) defines foreign aid as "a form of help by a government or financial institutions to other needy countries, which could be in cash or kind." One of the principles of the Breton Woods system in 1914 was the establishment of an aid system. The system argues that a free capital market should exist. which permits unrestricted inflows of foreign aid Based on this premise, Western Europe received around $17.5 billion in Marshall Aid Assistance to help resurrect her shattered economy as a result of World War 11. Since then, the aid system has remained a stable feature of the global economic system (Todaro, 2011).

Foreign aid can also be in form of economic assistance such as:

- Investment in the economy of the needy country.
- Loan.
- Infrastructural development

Foreign aid can also come in form of military assistance such as:

- Supply of military hardware at subsidized rates.
- Military agreements, bilateral or multilateral, loose or solid or in a defence pact.
- Supply of military technical assistance such as military presence to a country in crisis or conflict with another country.
- Supply of military technical assistance and advice.
- Direct participation as in the case of military allies to other countries.
- Military subversions, coups, assassinations, etc.

The conceptualizations of help shown above clearly show that aid is not the same as a loan. Loan is integrated in aid, whereas aid is more thorough and all-encompassing. It is usually one of the entire help packages. A loan is money or another valuable object that a company, individual, or government lends out, generally with interest. Oyejide (2016) defines debt as "the resource or money in use in an organization that is not provided by its owners and does not, in any way, belong to them." Similarly, Mimiko (2017) defined debt crisis as "a country that is highly externally indebted and is unable to pay the principal of this debt." It is also a situation in which a government utilizes a large amount of its foreign exchange profits to service this debt while still seeking additional aid to satisfy urgent and pressing domestic responsibilities."

In the same line, Nwoke (2018) defines the Third World as "peoples of the world, especially in the Southern Hemisphere, who are on the periphery of the international economic system." Countries in Asia, Africa, and Latin America are included in this classification. They are distinguished by underdeveloped and dependent economic systems, as well as a low level of living for the majority of their people, due to significant economic inequities, with the majority wallowing in abject poverty

Many of these countries have potentially rich natural resource reserves that are either underutilized or mismanaged. The economy is predominantly agrarian, and foreign revenues are almost entirely derived from a single source, which is usually a raw resource. The industrial sector is generally weak, with a low capital base that is heavily reliant on foreign expertise (Arowolo, 2017). In order to facilitate the operationalization of aid, it has been separated into three basic categories: bilateral, multilateral, and private (Todaro, 2011). Bilateral foreign aid is defined as a financial outflow from one country to another, implying a capital outflow between two countries. It accounts for nearly 60% of all aid to developing countries.

According to Nwoke (2018), bilateral aid can take four forms: Development aid is often repayable over a lengthy period of time; technological assistance includes technological and administrative know-how as well as technology transfer for replacement. For example, Nigeria's Aid Scheme (TAS) to Third World Countries (TWCs) is a policy under which she sends professionals to the needy countries on a yearly basis. The fourth is military assistance, which involves military collaboration between a powerful and a relatively weak nation. Armaments and personnel training, as well as the delivery of military gear at reduced costs, are typically key components of such aid agreements.

Grant is the smallest type of help given by wealthier countries to less fortunate countries for specific programs such as infrastructure and social service development. Donor governments frequently supervise the implementation of such initiatives to guarantee accountability and compliance with project parameters. Multilateral aid has been characterized as capital outflows from international financial institutions rather than transfers from country to government. It accounts approximately 40% of global assistance to developing countries. (Nwoke, 2018).

According to Todaro, private capital outflows include all direct investment input credits and portfolio investment by multinational firms and commercial banks. Private foreign capital outflows to the developing world increased dramatically from $4.6 billion in the 1980s to $4.6 billion in the 1990s due to endemic political instability caused in Africa, for example, by political turmoil and civil wars, which usually triggered capital flight (2011). Bilateral aid is favoured over multilateral aid. The latter is frequently linked to certain criteria, which almost always result in a dependent relationship by the receiving country.

However, multilateral aid may not be either in terms of recipient countries meeting certain conditions. The IMF and World Bank, for example, have very stringent conditions that borrower-countries must meet in order to benefit from their credit facilities. Privatisation, devaluation, democratisation, liberalisation, and other such conditions are frequently harsh and uncompromising in nature. The standard resources gap analysis can theoretically include national debt. According to Essien (2017), there is nothing wrong with governments accepting external aid. He does, however, warn that "the borrower-economy country's must not be totally dependent on such handouts." This is to avoid the immediate repercussions of a structurally flawed economy caused by external vulnerability.

This survivalist impulse is backed up by Olatunji and Salami (2017), who claim that "there is nothing inherently wrong about aid in the modern economy." External help, he believes, can be a tool of development if utilized on purposeful and effective programs that are well managed. Oloku (2018) connects national debt challenges to the fiscal system and policy. He believes that a country's fiscal system represents the institutional framework within which the government conducts its financial operations in the form of taxation, expenditure, and aid, whereas fiscal policy is primarily concerned with advancing certain economic policy objectives. Because of its direct relationship with budgetary measures, government debt policy is now widely recognized as a part of fiscal policy.

Foreign aid is a major source of money in most Sub-Saharan African (SSA) nations, including Nigeria, where it can complement poor savings, limited export profits, and weak tax bases. Foreign help promotes economic growth by augmenting native sources of finance such as savings, thereby expanding the country's investment and capital stock. Foreign aid also enhances investment in physical and human capital, the ability to import capital products or technology, and it is related with technology transfer, which increases capital productivity and fosters indigenous technical progress (Njeru, 2003: 123). External, climatic, political, and institutional factors all have an impact. Foreign aid, when correctly channeled to the productive areas of the economy, can have a favorable effect on economic growth. of the economy (Odusanya, Abiola, Jegede, 2011: 39). Nigeria, a developing country, is distinguished by a low level of income, a high level of unemployment, a low level of industrial capacity utilization, a high level of poverty, a high rate of illiteracy, and inadequate infrastructure, to name a few of the numerous issues that the country frequently faces. Nigeria, which was one of the richest 50 countries in the early 1970s, has since regressed to become one of the 25 poorest countries around the turn of the century. It is strange that Nigeria is the sixth greatest oil exporter while also having the third highest number of poor people after China and India (Igbuzor, 2006: 140).

2.2.2 Concept of Socio-Economic Development

According to Bardhan (2016), socioeconomic development is the process of social and economic development in society. Indicators of socioeconomic development include GDP, life expectancy, literacy, and employment levels. Changes in less visible elements such as human dignity, freedom of association, personal safety and freedom from fear of physical violence, and the amount of engagement in civil society are also taken into account. New technology, changes in laws, changes in the physical environment, and economic changes are some of the causes of socioeconomic repercussions.

According to Aroon (2019), socioeconomic development is a process that aims to identify both the social and economic requirements of a community and to devise methods to fulfill those needs in ways that are both realistic and in the long term in the best interests of the community. The overall goal is to develop ways to increase the standard of living in the area while simultaneously ensuring that the people there can be sustained. Neighbourhoods, metropolitan areas, sectors of small cities and towns, and even rural areas experience socioeconomic development.

A variety of issues must be considered as part of any socioeconomic development attempt. Understanding the current situation in the area is the first step toward regional development. It is possible to begin developing a plan that will ultimately result in more jobs, stable employment for more households, and more money flowing through the local economy by assessing the potential of human capital in the area, allowing for the current unemployment rate, and when laws and regulations are currently in place that may be impeding the introduction of new industry into the area (Bates, 2018).

In addition to finding methods to stabilize the economy and create more jobs. The availability of necessary services in the area is also taken into account in socioeconomic development. This involves the presence of schools and colleges to educate students and prepare them for careers. It is also critical to attract services such as medical practitioners and health care facilities to the area (Thompson and Wayne, 2017). Creating and sustaining a viable law enforcement department that aids in the maintenance of order and the protection of residents is also critical to the endeavour. This serves to make the neighbourhood more desirable and reduces the likelihood of people departing to seek this service elsewhere.

According to Subramanian (2015), socioeconomic development often entails changing present laws and regulations in order to encourage new growth and improve the standard of living for local populations. Changes in regulations can make it easier for new industries to grow into areas and provide jobs at fair salaries. This, in turn, can motivate the creation of more services that residents can enjoy, allowing the area to prosper with the right type of motivation and infrastructure improvements, residents are not tempted to move away in order to earn a living or other desirable services, and there is a good chance that more people will move into the area, providing further stimulation for the local economy. While there is no one right way to pursue socio-economic development, the process is essential to preventing decline and eventual extinction of a community (Flint and Havard, 2015).

2.2.3 Brief History of Nigeria

Nigeria was named after the Niger River, which runs through the country. Flora Shaw, a British journalist who later married Lord Lugard, a British colonial governor, invented this name on January 8, 1897. The river bears the same name in the neighbouring Republic of Niger. The origin of the term Niger, which originally applied only to the Niger River's middle reaches, is unknown. Before 19th-century European colonialism, the Tuareg name egerew n-igerewen was used by residents along the middle reaches of the river around Timbuktu (Blench, 2014).

Nigeria, formally the Federal Republic of Nigeria, is a West African country. It is Africa's most populous country. It is located in the Atlantic Ocean, between the Sahel to the north and the Gulf of Guinea to the south. It has a population of about 216 million people and an area of 923,769 square kilometers (356,669 square miles). Nigeria is bounded to the north by Niger, to the northeast by Chad, to the east by Cameroon, and to the west by Benin. Nigeria is a federal republic made up of 36 states and the Federal Capital Territory, which includes the capital, Abuja. Lagos is Nigeria's largest city, with one of the world's largest metropolitan areas and the second-largest in Africa (Wikipedia, 2022).

Since the second millennium BC, Nigeria has been home to various indigenous pre-colonial nations and kingdoms, with the Nok civilization in the 15th century BC being the country's first internal union. The contemporary state arose from British colonialization in the nineteenth century, obtaining its current territorial structure with Lord Lugard's 1914 merger of the Southern and Northern Nigeria Protectorates. In the Nigeria region, the British established administrative and legal institutions while exercising indirect rule through traditional chiefdoms (Akinbode, 2019). On October 1, 1960, Nigeria became a formally independent federation. It went through a civil war from 1967 to 1970, then a series of democratically elected civilian governments and military dictatorships before reaching stable democracy in the 1999 presidential election; the 2015 election was the first time an incumbent president lost re-election (Akinbode, 2019).

Nigeria is a multicultural country with over 250 ethnic groups speaking 500 different languages and identifying with a wide range of cultures. The three main ethnic groups, constituting more than 60% of the overall population, are the Hausa in the north, the Yoruba in the west, and the Igbo in the east. The official language is English, which was chosen to promote national linguistic unification (Achebe, 2016). Nigeria's constitution guarantees religious freedom, and the country is home to some of the world's largest Muslim and Christian populations. Nigeria is approximately divided in half between Muslims in the north and Christians in the south; indigenous religions, such as those indigenous to the Igbo and Yoruba ethnicities, are in the minority (Pereltsvaig, 2011).

The nation created a federal republic in 1963, with Tafawa Belewa as Prime Minister and Nnamdi Azikiwe as ceremonial president, under a parliamentary style of governance. In 1966, two military coups were staged in response to instability and alleged corruption in the election and parliamentary processes. Majors Emmanuel Ifeajuna (of the Igbo tribe), Chukwuma Kaduna Nzeogwu (Hausa of Eastern extraction), and Adewale Ademoyega conducted the first revolution in January 1966. The coup plotters succeeded in assassinating Sir Ahmadu Bello and Abubakar Tafawa Balewa, as well as important Northern Region leaders and Premier Samuel Akintola of the Western Region, but they were unable to install a central administration. Senate President Nwafor Orizu handed over control of the government to the Army, which was led by another Igbo officer, General Johnson Aguiyi-Ironsi. Later, the 1966 counter-coup, led mostly by Northern military men, paved the way for Yakubu Gowon to become military head of state. Tensions between the north and south grew; Igbos in northern cities were persecuted, and many fled to the Eastern Region (Murray, 2007).

As a result of the continuous and methodically planned attacks against Igbos and others of Eastern Extraction widely known as the 1966 pogroms, Governor of the Eastern Territory Lt. Colonel Emeka Ojukwu declared the region independence from the federation as the Republic of Biafra in May 1967. (Falola and Heaton, 2008). This declaration triggered the Nigerian Civil War, which began on July 6, 1967, when the official Nigerian government side assaulted Biafra at Garkem. The 30-month conflict concluded in January 1970, after a long siege of Biafra and its isolation from trade and supplies. Estimates of the number of people killed during the 30-month civil war in the former Eastern Region range from one to three million. 2007 (McDonald) France, Egypt, the Soviet Union, Britain, Israel, and others were deeply involved in the civil war behind the scenes. The major military sponsors of the Nigerian government were Britain and the Soviet Union, with Nigeria utilizing aviation support from Egyptian pilots given by Gamal Abdel Nasser, while France and Israel helped the Biafrans. Under President Joseph-Désiré Mobutu, the Congolese government took an early stance on Biafran independence, expressing strong support for the Nigerian federal government and deploying thousands of troops to confront the secessionists (Stearns, 2011).

Following the war, Nigeria experienced an oil boom in the 1970s, during which it joined OPEC and garnered enormous oil profits. Despite these profits, the military government did little to improve the population's standard of living, assist small and medium-sized businesses, or invest in infrastructure. As oil funds fueled an increase in federal payments to states, the federal government became the focal point of political conflict and the apex of power in the country. As oil output and revenue increased, the Nigerian government's fiscal and economic issues became more dependent on oil revenues and international commodities markets. Generals Shehu Musa Yar'Adua and Joseph Garba conducted a coup in July 1975 that deposed Gowon, who fled to Britain. The coup plotters intended to replace Gowon's autocratic rule with a triumvirate of three brigadier generals whose actions could be overruled by the Supreme Military Council. They persuaded General Murtala Muhammed to become military head of state, with General Olusegun Obasanjo as his deputy and General Theophilus Danjuma as his third (Wrong, 2011). The triumvirate implemented austerity measures to combat inflation, established a Corrupt Practices Investigation Bureau, replaced all military governors with new commanders, and started "Operation Deadwood," which resulted in the dismissal of 11,000 state servants.

Colonel Buka Suka Dimka led a coup attempt in February 1976, during which General Murtala Muhammed was murdered. Dimka's coup failed due to a lack of widespread military support, causing him to leave. General Olusegun Obasanjo was appointed military head of state following the coup attempt. Obasanjo, as President, swore to uphold Murtala's policies. Aware of the risk of alienating northern Nigerians, Obasanjo appointed General Shehu Yar'Adua as his replacement and second-in-command as Chief of Staff, Supreme Headquarters, completing the military triumvirate of Obasanjo as head of state, General Theophilus Danjuma as Chief of Army Staff, and General Shehu Yar'Adua as Chief of Staff, Supreme Headquarters. the three went on to re-establish control over the military regime and organized the military's transfer of power programme: states creation and national delimitation, local government reforms and the constitutional drafting committee for a new republic (David, 2018).

On September 21, 1978, the ban on political activity was removed, and a constituent assembly was chosen to design a new constitution. The military meticulously organized the transition to civilian administration, putting in place safeguards to ensure that political parties received larger support than under the first republic. In 1979, Alhaji Shehu Shagari of the National Party of Nigeria (NPN) was elected president after a series of elections in which five political parties competed. All five parties were elected to the National Assembly. Shehu Shagari was sworn in as the first President and Commander-in-Chief of the Federal Republic of Nigeria on October 1, 1979. Obasanjo peacefully transferred power to Shagari, becoming the first head of state in Nigerian history to willingly step down (David, 2018).

The presidential election of 1993, held on June 12, was the first following the military coup of 1983. The results, albeit not officially proclaimed by the National Electoral Commission, showed that the Social Democratic Party's Moshood Abiola and Baba Gana Kingibe defeated the National Republican Convention's Bashir Tofa and Sylvester Ugoh by more than 2.3 million votes. However, Babangida declared the elections invalid, sparking large civilian protests that virtually shut down the country for weeks. Babangida finally maintained his pledge to hand over control to a civilian government in August 1993, but not before installing Ernest Shonekan as leader of the interim national government. Babangida's reign is often regarded as the most corrupt, and it is blamed for instilling a culture of corruption in Nigeria. Shonekan's interim government, the shortest in the political history of the country, was overthrown in a coup d'état of 1993 led by General Sani Abacha, who used military force on a wide scale to suppress the continuing civilian unrest (Nicole, 2008).

The government hanged environmentalist Ken Saro-Wiwa in 1995 on fabricated accusations in the murder of four Ogoni elders. As a result, Nigeria was barred from joining the Commonwealth. Lawsuits brought against Royal Dutch Shell and Brian Anderson, the chief of Shell's Nigerian division, were resolved out of court, with Shell continuing to deny involvement. In 1999, several hundred million dollars in accounts linked to Abacha were identified. When the tyrant died in the villa in 1998, the tyranny came to an end. He looted money and transferred it to offshore accounts in Western European banks, and he foiled coup plots by arresting and bribing generals and politicians. His successor, General Abdulsalami Abubakar, adopted a new constitution on May 5, 1999, which provided for multiparty elections (Kleiner and Mamiya, 2009).

On May 29, 1999, Abubakar handed over control to the winner of the 1999 presidential election, former military ruler General Olusegun Obasanjo, who became Nigeria's second democratically elected civilian President, ushering in the Fourth Nigerian Republic. This effectively ended nearly 33 years of military rule from 1966 to 1999, omitting the brief second republic (from 1979 and 1983) by military rulers who took power through coups and counter-coups. Despite the fact that the polls that brought Obasanjo to office and for a second term in the 2003 presidential election were deemed unfree and unfair, Nigeria has made significant progress in its efforts to combat government corruption and accelerate development. (Eggert, 2014). Ethnic violence for control over the oil-producing Niger Delta region and an insurgency in the northeast are some of the issues facing the country.

In the 2007 general election, Umaru Yar'Adua of the People's Democratic Party was elected president. The international world, which had been monitoring Nigerian elections in order to encourage a free and fair process, criticized this one as deeply defective. President Olusegun Obasanjo recognized fraud and other "lapses" in the election, but stated the outcome matched opinion polling. In a national television address in 2007, he stated that if Nigerians did not approve of his designated successor's victory, they would be able to vote again in four years. Yar'Adua passed away on May 5, 2010. Yar'Adua's successor, Goodluck Jonathan, was sworn in as the 14th head of state. Jonathan went on to win the presidential election in 2011.with the international media reporting the elections as having run smoothly with relatively little violence or voter fraud, in contrast to previous elections (Campbell, 2020).

Ahead of the 2015 general election, the Action Congress of Nigeria, the Congress for Progressive Change, the All Nigeria Peoples Party (a component of the All Progressives Grand Alliance), and the new PDP (a branch of the ruling People's Democratic Party) merged to become the All Progressives Congress. In the 2015 presidential election, former military head of state General Muhammadu Buhari defeated incumbent Jonathan of the People's Democratic Party by over two million votes, ending the party's sixteen-year rule in the country and marking the first time in Nigerian history that an incumbent president was defeated by an opposition candidate. Observers generally praised the election as being fair. Jonathan was generally praised for conceding defeat and limiting the risk of unrest. In the 2019 presidential election, Buhari was re-elected for a second term in office defeating his closet rival Atiku Abubakar (Campbell, 2020).

2.2.4 Overview of Nigeria's Economy

During the 1970s oil boom, Nigeria accrued a considerable foreign debt in order to finance major infrastructure developments. As oil prices fell during the 1980s oil glut, Nigeria struggled to keep up with loan payments and eventually defaulted on principal debt installments, limiting repayment to the interest part of the loans. Arrears and penalty interest accrued on the unpaid principal, increasing the debt's size. Following negotiations by Nigerian officials, Nigeria and its Paris Club creditors negotiated an arrangement in October 2005 under which Nigeria repurchased its debt at a 60% discount. Nigeria used a portion of its oil income to pay the remaining 40%, releasing at least $1.15 billion per year for poverty reduction programs. Nigeria made history in April 2006 when it became the first African country to totally pay off its Paris Club debt (estimated at $30 billion) (Oloma, 2007).

Nigeria is an African regional power, a middle-power in international affairs, and an emerging global force. Nigeria's economy is the largest in Africa, the 25th largest in the world in terms of nominal GDP, and the 25th largest in terms of PPP. Nigeria is known as the "Giant of Africa" due to its massive population and economy, and the World Bank classifies it as an emerging market. However, the country scores very low in the Human Development Index and is one of the world's most corrupt countries. Nigeria is a founding member of the African Union, as well as a member of other international organizations such as the United Nations, the Commonwealth of Nations, NAM, the Economic Community of West African States, and OPEC. It is also a member of the MINT informal group and one of the Next Eleven economies (Illoani, 2019).

Agriculture employed over 30% of Nigerians in 2010. Agriculture was once Nigeria's main source of foreign exchange. Beans, sesame, cashew nuts, cassava, cocoa beans, groundnuts, gum arabic, kolanut, maize (corn), melon, millet, palm kernels, palm oil, plantains, rice, rubber, sorghum, soybeans, and yams are among the major crops. Cocoa is the most valuable non-oil foreign exchange earner (Abiodun, 2022). Rubber is the second-largest non-oil foreign exchange earner after petroleum. (Business Weekly, 2022).

Nigeria was self-sufficient in food prior to the civil war. Agriculture has failed to keep up with Nigeria's fast population expansion, and the country increasingly depends on food imports to survive. In the 1970s, the Nigerian government pushed the use of inorganic fertilizers. Nigeria closed its border with Benin and other neighboring nations in August 2019 to prevent rice smuggling into the country as part of measures to promote domestic output (Peters, 2022). Nigeria is the world's 12th largest producer of petroleum, its 8th largest exporter, and it has the 10th greatest proved reserves. Petroleum is important to the Nigerian economy, accounting for 40% of GDP and 80% of government revenue. However, agitation for better resource control in the Niger Delta, its main oil-producing region, has led to disruptions in oil production and prevents the country from exporting at 100% capacity (Peters, 2022).

The Nembe Creek oil field in the Niger Delta was discovered in 1973 and produces from middle Miocene deltaic sandstone-shale in an anticline structural trap at a depth of 2 to 4 kilometers (7,000 to 13,000 feet). Shell undertook a strategic evaluation of its activities in Nigeria in June 2013, implying that assets would be disposed. While numerous foreign oil firms had worked there for decades, by 2014, the majority were looking to sell their holdings, citing a variety of difficulties such as oil theft. Shell said in August 2014 that it was finalizing its stake in four Nigerian oil fields. According to the Department of Petroleum Resources, Nigeria has 159 oil fields and 1,481 wells in operation. The nation's most producing region of the nation is the coastal Niger Delta Basin in the Niger Delta or "south-south" region which encompasses 78 of the 159 oil fields. Most of Nigeria's oil fields are small and scattered, and as of 1990, these small fields accounted for 62.1% of all Nigerian production. This contrasts with the sixteen largest fields which produced 37.9% of Nigeria's petroleum at that time (Liston, 2014).

Nigeria, in addition to its petroleum resources, contains a diverse range of underutilized mineral resources, including natural gas, coal, bauxite, tantalite, gold, tin, iron ore, limestone, niobium, lead, and zinc. Despite massive quantities of these natural resources, Nigeria's mining industry is still in its infancy. Nigeria's financial services sector is highly developed, with a mix of local and international banks, asset management firms, brokerage houses, insurance companies and brokers, private equity funds, and investment banks. Nigeria is one of the world's fastest-growing telecommunications markets, with major emerging market operators (such as MTN, 9mobile, Airtel, and Globacom) locating their largest and most profitable operations there. (2014) (Hazlewood). Nigeria's ICT sector has grown rapidly, accounting for 10% of the country's

GDP in 2018, up from 1% in 2001. With its growing tech ecosystem, Lagos is recognized as one of Africa's largest technology centres. Several firms, like Paystack, Interswitch, Bolt, and Piggyvest, are harnessing technology to tackle problems in a variety of industries (Peters, 2022).

Nigeria also has a manufacturing industry that includes leather and textiles (which are concentrated in Kano, Abeokuta, Onitsha, and Lagos), plastics, and processed food. Ogun is regarded Nigeria's current industrial powerhouse because most manufacturers are located there and more businesses are relocating there, followed by Lagos. (Archibong, 2004). Nigeria currently has an indigenous auto manufacturing company, Innoson Vehicle Manufacturing located in Nnewi. It produces buses, SUVs and since May 2022 "kekes". Peugeot and Bedford are two other automobile manufacturers in Nigeria. Nigeria implemented an import duty policy on vehicles in 2013 in order to boost indigenous manufacturing enterprises in the country. Some multinational automakers, such as Nissan, have announced ambitions to establish production units in Nigeria (Onuba, 2015). Nigeria has a few electronic manufacturers, such as Zinox, the first branded Nigerian computer, and producers of electronic gadgets such as tablet PCs (Elliot, 2019). The city of Aba in the country's south-east is highly recognized for its handicrafts and shoes known as "Aba produced."

Because of Nigeria's central location in Africa, transportation plays a significant role in the national service sector. Following 2015, the Buhari administration improved infrastructure. As states, in particular, spend their share of increasing government allocations, extensive road maintenance and new construction have been carried out gradually. The Second Niger Bridge in Onitsha, which is scheduled to open in May 2022, is an example of these enhancements. Nigeria has been installing new railway tracks since 2009. These are run by the Nigerian Railway Corporation, a state-owned enterprise. Despite the covid outbreak, this appears to have generated a surplus since 2019. Lagos has the most important ports. Port Harcourt (Onne), and Calabar (Apapa and Tin Can Island). A deep sea port is set to operate in Lekki, 50 kilometers east of Lagos, in 2022. Nigeria now has five international airports (Lagos, Kano, Port Harcourt, Enugu, and Abuja). Nigeria Air, the country's new national airline, is set to begin operations in mid-2022.

Nigeria had a labor force of 74 million people in 2015. In 2003, the national unemployment rate was 10.8%; by 2015, it had dropped to 6.4%. (Labour Force Statistics, 2015). Six nationwide strikes have been planned by the Nigerian Labor Congress (NLC), a union umbrella group, to protest domestic fuel price rises since 1999. However, the government tabled legislation in March 2005 to eliminate the NLC's monopoly on union organizing. The Nigerian Labour Congress (NLC) was fighting for an increase in the federal minimum wage in December 2005. The current minimum wage, which was implemented six years ago but has not been raised since, has been eroded by inflation to only US$42.80 per month (Labour Force Statistics, 2015). According to the International Organization for Migration, the number of immigrants in Nigeria has more than quadrupled in the last three decades, rising from 477,135 in 1991 to 971,450 in 2005. The majority of Nigerian immigrants (74%) come from the neighboring Economic Community of West African States (ECOWAS), and that this number has increased considerably over the last decade, from 63% in 2001 to 97% in 2005 (Labour Force Statistics, 2015).

The government is required to pay a high interest rate on bonds in part due to the high birth rate; there are many children and less savings. Nigeria's HDI (Human Development Index) stands at 0.539 as of 2019. Sub-Saharan Africa has a comparative value of 0.547, the United States has a value of 0.926, and the global average is 0.737. (Labour Force and Unemployment Statistics, 2019). The education index value is 0.499, compared to the US average of 0.900. In Nigeria, the expected years of schooling are 10.0 (16.3 in the US), whereas the average years of schooling for adults over 25 years is 6.7 years (13.4 years in the US). Furthermore, Nigeria has relatively significant inequality, which exacerbates the problem. The formation of human capital (Labour Force and Unemployment Statistics, 2019).

In 2016, the black market Naira exchange rate was almost 60% higher than the official rate. At the official exchange rate, the central bank releases approximately $200 million each week. However, other firms claim that budgets now contain a 30% "premium" to be paid to central bank officials in order to obtain dollars (Labour Force and Unemployment Statistics, 2019).

Nigeria's inflation rate increased to 15.63 percent in December 2021, up from 15.40 percent in November, according to data released by the National Bureau of Statistics on January 17th, 2022. According to the statistics office, consumer prices climbed by 15.63 percent in December 2021 compared to December 2020, as assessed by the Consumer Price Index. According to the World Economic Outlook Database (2019), this rise in the food index was caused by increases in prices of bread and cereals, food products, meat, fish, potatoes, yam and other tubers, soft drinks and fruits.

2.2.5 Socio-Economic Growth and Development in Nigeria

Nigeria's economy is a mixed-income, growing market with expanding manufacturing, finance, service, communications, technology, and entertainment industries. It has the world's 27th largest economy in terms of nominal GDP and the 24th largest in terms of purchasing power parity. Nigeria has Africa's largest economy. In 2013, the country's resurgent manufacturing sector became the largest on the continent, producing a major amount of goods and services for the West African region. Furthermore, the debt-to-GDP ratio in 2019 was 16.075%. (Labour Force and Unemployment Report, 2019).

Nigerian GDP at purchasing power parity (PPP) has nearly tripled from $170 billion in 2000 to $451 billion in 2012, however estimates of the size of the informal sector (which is not included in official calculations) place the value closer to $630 billion. As a result, GDP per capita more than doubled from $1400 in 2000 to an estimated $2,800 in 2012. Again, with the informal sector included, GDP per capita is estimated to be roughly $3,900 per person. The population of the country increased from 120 million in 2000 to 160 million in 2010.The GDP figures were to be revised upwards by as much as 80% (percent) when metrics were to be recalculated after the rebasing of its economy in April 2014 (World Bank Country and Lending Groups, 2019).

Despite accounting for two-thirds of governmental revenues, oil only accounts for roughly 9% of GDP. Nigeria accounts for only about 2.7% of global oil production. Although the petroleum sector is essential since government revenues are still strongly reliant on it, it remains a minor component of the country's overall economy (Labour Force Statistics, 2010). The agricultural industry, which is mostly subsistence, has not kept up with the country's rapid population expansion. Nigeria was previously a big net food exporter, but now imports some of its food goods. Mechanization has resulted in a rebirth of food manufacturing and exportation, as well as a shift toward food sufficiency. In 2006, Nigeria came to an agreement with the Paris Club to buy back the bulk of its owed debts from them, in exchange for a cash payment of roughly US$12 billion (Labour Force Statistics, 2010).

According to a Citigroup analysis released in February 2011, Nigeria would have the world's greatest average GDP growth between 2010 and 2050. Nigeria is one of two African countries among the 11 Global Growth Generators. Nigeria revised its economic study in 2014 to include fast-growing contributions to its GDP, such as telecommunications, finance, and the film industry. Human capital is poor (Nigeria was ranked 161 out of 189 nations in the 2019 United Nations Development Index), and non-energy infrastructure is lacking. Nigeria had made progress in its attempts to provide universal primary education and to protect the environment. (Human Development Report, 2020).

Reduced endemic corruption, which obstructs progress and stains Nigeria's economic climate, is a prerequisite for attaining many of the objectives. While broad-based improvement has been delayed, these measures have begun to show up in international corruption surveys. Since 2001, Nigeria has risen to 154th place out of 180 nations in Transparency International's Corruption Perceptions Index for 2021. The Nigerian economy is beleaguered by a continuous power supply issue. Despite a fast expanding economy, some of the world's greatest coal, oil, and gas deposits, and the country's position as Africa's leading oil producer, Residents routinely report problems with power supply. Two-thirds of Nigerians anticipate improved living standards in the future decades. This graph depicts the trend of Nigeria's GDP at market prices as calculated by the International Monetary Fund, with data in USD billions. Figures prior to 2000 are backward predictions of the 2000-2012 figures based on historical growth rates and should be replaced when new data becomes available. The 2014 figure is based on a rebasing of economic activity earlier in the year.

Year	Gross domestic product, (PPP, in billions)	US dollar exchange	Inflation index (2000=100)	Per capita income (as % of USA)
1980	*58	1 Naira	1.30	7%
1985	*82	3 Naira	3.20	5%
1990	*118	9 Naira	8.10	2.5%
1995	*155	50 Naira	56	3%
2000	170	100 Naira	100	3.5%
2005	291	130 Naira	207	4%
2010	392	150 Naira	108	5%
2012	451	158 Naira	121	7%
2014	972	180 Naira	10	11%

2015	1,089	220 Naira	10	10%
2016	1,093	280 Naira	17	10%
2017	1,125	360 Naira	5 (est)	10%

Table 1: Data Showing Source the trend of the gross domestic product of Nigeria (Source: Nigeria Gross Domestic Report Review, 2018)

The US dollar exchange rate is an approximated annual average of the official rate and does not reflect the parallel market rate at which the general public obtains foreign exchange. This rate fluctuated between 520 in March 2017 and 350 in August 2017, owing to a lack of currency (oil earnings having decreased by half) and speculative activity, as claimed by the Central Bank. Meanwhile, the official rate remained at 360. Per capita income (as a percentage of GDP in the United States) is derived using statistics from the PPP link above, as well as census estimates based on growth rates between census periods. For example, Nigeria's GDP in 2017 was $1.125 billion compared to the United States' GDP of $19.417 billion, and populations were approximated. at 320 million vs 190 million. The ratio is, therefore (1125/19417) / (190/320), which roughly comes to 0.0975. These are estimates and are intended to get a feel for the relative wealth and standard of living, as well as the market potential of its middle class.

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This is a chart of trends of the global ranking of the Nigerian economy, in comparison with other countries of the world, derived from the historical List of countries by GDP (PPP).

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (est.)
Ranking	**52**	**47**	**38**	**37**	**34**	**31**	**31**	**30**	**23**	**20**	**21**	**22**	**23**

Table 2: Trends of the global ranking of the Nigerian economy, in comparison with other countries of the world (Source: Nigeria Gross Domestic Report Review, 2018)

This chart shows the variance in the parallel exchange rate at which the Dollar can be obtained with Naira in Lagos, with "Best" being cheaper for a Nigerian (i.e. stronger Naira).

Year	2015	2016	2017	2018	2019
Best	195	345	350	370	380
Worst	237	490	520	430	490

Table 3: Variance in the parallel exchange rate at which the Dollar can be obtained with Naira (Source: Nigeria Gross Domestic Report Review, 2020)

The US dollar is exchanged at US$1 to 314.27 Nigerian naira for purchasing power parity calculations (as of 2017). Nigeria's current GDP per capita increased 132% in the 1960s, hitting a peak of 283% in the 1970s. However, this proved unsustainable, and the economy collapsed by 66% in the 1980s. Diversification programs ultimately took effect in the 1990s, and decadal growth was restored to 10%. Although PPP GDP did not increase till the 2000s. Agriculture accounted for 40% of GDP in 2012, while services accounted for 30%, manufacturing accounted for 15%, and oil accounted for 14%. Agriculture accounted for 18% of GDP in 2015, while services accounted for 55%, manufacturing accounted for 16%, and oil accounted for 8%.

Nigeria's inflation rate was expected to be 15.6% in 2005. The National Economic Empowerment Development Strategy (NEEDS) program in Nigeria aims to lower inflation to single digits. Nigeria's inflation rate had reached 9% by 2015. In 2005, the federal government spent US$13.54 billion but only received US$12.86 billion in revenue, resulting in a 5% budget deficit. By 2012, expenditures had reached $31.61 billion, while receipts had reached $54.48 billion (Business in Nigeria, 2012).

Nigeria's foreign economic relations revolve around its role in supplying the world economy with oil and natural gas, even as the country seeks to diversify its exports, harmonize tariffs in line with the Economic Community of West African States' (ECOWAS) potential customs union, and encourage inflows of foreign portfolio and direct investment. Nigeria implemented the ECOWAS single external tariff in October 2005, which reduced the number of tariff bands (Illoani, 2019). Tariffs were Nigeria's second greatest source of revenue after oil exports prior to this change. Nigeria made a significant milestone in 2005 when it agreed with the Paris Club to reduce its bilateral debt through a combination of write-downs and buybacks. Nigeria joined the Organization of the Petroleum Exporting Countries in July 1971 and the World Trade Organization in January 1995 (Business Weekly, 2022).

Nigeria will be considerably weakened if the worldwide shift to renewable energy is completed and international demand for Nigeria's petroleum resources disappears. In the index of Geopolitical Gains and Losses during Energy Transition, it is placed 149th out of 156 countries (GeGaLo). Nigeria imported approximately $34.2 billion in goods in 2017. China (28%), Belgium-Luxembourg (8.9%), the Netherlands (8.3%), South Korea (6.4%), the United States (6.0%), and India (4.6%) were the top importers in 2017. (Nigeria Gross Domestic Report Review, 2018). The most important imports were manufactured items, machinery and transportation equipment, chemicals, as well as food and live animals.

Nigeria exported items worth approximately US$46.68 billion in 2017. India (18%), the United States (14%), Spain (9.7%), France (6.0%), and the Netherlands (4.9%) were the top export destinations in 2017. Oil represented approximately 83% of merchandise exports in 2017. The country's main agricultural exports are natural rubber and cocoa. Nigeria had a US$26 billion trade surplus in 2005, which amounted to nearly 20% of its GDP. Nigeria had a positive current account balance of $9.6 billion in 2005. Nigeria's currency is the naira (NGN). In June 2006, the currency rate was approximately US$1=NGN128.5. It is currently worth US$1 =NGN357 as of June 2019. Nigeria's trading links with other emerging countries, such as India, have grown in recent years. Nigeria is the largest African crude oil supplier to India – it annually exports 400,000 barrels per day (64,000 m3/d) to India valued at US$10 billion annually (Nigeria Gross Domestic Report Review, 2018).

India is Nigeria's major buyer of oil, accounting for 20% to 25% of India's domestic oil demand. Indian oil corporations are also engaged in oil drilling operations in Nigeria, with intentions to build refineries there. Nigeria-UK trade volume increased by 35% in 2011, from USD6.3 billion in 2010 to USD8.5 billion in 2011. Nigeria's overseas debt was estimated to be $5.9 billion in 2012, with domestic debt at N5.6 trillion, bringing total debt to $44 billion (Liston, 2014). Nigeria became the first African country to fully repay its debt to the Paris Club in April 2006. This was structured as an anticipated $18 billion debt write-off and a $12 billion cash payment. In 2012, Nigeria experienced a net influx of US$85.73 billion in foreign direct investment (FDI), a large portion of which came from Nigerians living abroad (Abiodun, 2022). The majority of FDI flows towards the energy and financial industries. Any public policy that encourages the entrance of foreign money has the potential to create job opportunities in the domestic economy. The Nigerian Enterprises Promotion (NEP) Decree of 1972 (updated in 1977) was enacted to discourage foreign investment in Nigeria (Abiodun, 2022).

The Nigerian Stock Exchange assessed the stock market valuation of listed businesses in Nigeria at $97.75 billion on 15 February 2008. The Swiss foreign ministry claims to have done everything possible to ensure that cash stolen by late Nigerian dictator Sani Abacha were appropriately used in his homeland. The authorities were responding to suspicions that $200 million (SFr240 million) of the $700 million returned to Nigeria by Swiss banks had been misused (Elliot, 2019).

Poverty rates in Nigeria fell dramatically in the 2010s as a result of economic progress. According to the World Bank, Nigeria experienced 7.4% economic growth in July 2019, the greatest since the GDP rate was reduced to 2%. While 40% of Nigerians are poor as of May 4, 2020, this figure nevertheless illustrates the expanding country's progress, with a previously counted 61% of the population living in poverty in 2012. Nigeria, having made efforts to minimize this number, has presented a strategy to the World Bank Group to significantly reduce this number. The main reason for increasing poverty levels is government instability, which impacts the rate at which citizens are employed.

2.2.6 The Reasons for Foreign Aid in Nigeria

In general, Nigeria's reliance on foreign aid stems from the recognized importance of capital in any nation's development process, as capital accumulation promotes productivity, which in turn boosts economic growth. There is ample evidence in the existing body of research to suggest that foreign help, when used properly, aids a nation's growth and development to some level.

According to Soludo (2016), Nigeria wants foreign help for a variety of reasons. The first is of macroeconomic intent, with the goal of increasing investment and human capital development, while the second is to alleviate budget constraints by funding fiscal and balance-of-payment deficits.

Furthermore, Obadan and Uga (2017) emphasized that countries, particularly less developed countries, rely on aid from rich nations to boost capital formation and investment, which had previously been limited by low levels of domestic savings. Finally, the reasons for countries borrowing boil down to two key factors: bridging the "savings-investment" gap and the "foreign exchange gap."

According to Chenery (2016), the fundamental reason why countries like Nigeria seek foreign help is to supplement the country's lack of savings and investment. The dual-gap approach justifies the necessity for external aid as an attempt to bridge a country's savings-investment gap. Development necessitates a level of investment, which is determined by domestic savings, and domestic savings are insufficient to assure that development occurs (Oloyede, 2002). The second purpose for foreign aid is to close the foreign exchange (imports-exports) gap.

For many developing countries, such as Nigeria, the chronic balance of payment deficit has prevented capital inflows necessary for growth and development. Because the foreign exchange revenues required to finance this investment are insufficient, external help may be the only way to obtain the resources required for rapid economic expansion.

Despite her abundant natural and human resources, Nigeria has been designated as one of the world's poorest countries. Since 2003, the United Nations Development Programme (UNDP) has published a report on human development (HDR) (Njoku, 2011). As a result, this explains why Nigeria is one of the recipients of foreign aid from developed countries. Basically, Foreign aid is defined by economists as "all forms of grants and aids at concessional financial terms aimed at transferring resources from developed to developing countries on development, poverty, and income distribution grounds," as opined by the World Bank (Todaro and Smith, 2011). As observed by, foreign aid flows in the form of official development assistance (ODA) play an important role as a complement to domestic financing for development in the Nigerian economy (Abiola, 2008). Furthermore, ODA can be crucial in improving the business environment for the private sector and accelerating growth and development. Abiola (2008) went on to say that ODA is also an important tool for promoting education, health, public infrastructure development, agriculture and rural development, and food security, to name a few.

Bakare (2011) makes a similar case for foreign aid as a means of raising the money available for investment and the economic growth required to decrease poverty and enhance living standards in Sub-Saharan Africa. He also emphasized that it can give resources for industrialization, improve resource efficiency, boost product diversification, and generate jobs (OECD-DAC) (1999). He did, however, find that in the absence of natural resource extraction laws, or when they are weak or poorly enforced, increased openness to foreign aid can hasten unsustainable resource use practices. The ability of developing countries to attract foreign help, maximize the accompanying advantages, and minimize the hazards, which is a result of the foreign aid conditionality.

According to Amakom (2010), in order to ensure that aid in the form of ODA becomes effective and efficient in Nigeria, the National Planning Committee (NPC) issued a paper titled Technical Corporation Policy for Nigeria in 1995. The strategy focuses solely on grants and technical assistance, leaving aside a key component of ODA in the form of concessionary aid. According to them, the current Nigeria (ODA) policy has benefited from stakeholder comments and ideas and is broadly defined to embrace concessionary financial flows intended at encouraging economic growth and development. It comprises of concessionary aids, grants, and technical help, offering Nigeria with a window of chances to bridge the resource gap.

The annual contribution of ODA in developing nations' combined GDP is projected to be around 8.0%. (NPC 2007). It is worth noting that aid flows to Nigeria have increased significantly in recent years. This is in addition to the overall net aid flows from all donors that Nigeria received in 1999, which totaled US$ 152 million. Aid flows climbed somewhat in 2000 to $185 million, and by 2004, they had reached $573 million. Ayodele (2005) Following that, assistance flows increased to US1.29 billion in 2008, and remained above that level until 2011, when Nigeria received US1.78 billion in aid. Nigeria has received foreign aid from a wide array of agencies and countries between 1960 and today. The main role of foreign aid in stimulating economic growth is to supplement domestic sources of finance such as savings, thus increasing the amount of investment and capital stock.

According to Morrissey (2001), there are a number of mechanisms through which aid can contribute to economic growth, including: (a) aid increases investment in physical and human capital; (b) aid increases the capacity to import capital goods or technology; (c) aid does not have indirect effects that reduce investment or savings rates; and aid is associated with technology transfer that increases capital productivity and promotes economic growth.

2.2.7 The Benefits of Foreign Aid on Nigeria's Economic Development

The major consensus in the literature is that foreign aid can be a potent instrument through which developed countries can contribute to the development of poor developing countries like Nigeria. Based on the findings of previous research on the benefits of foreign aid on the socio-economic development of Nigeria's fourth republic, the following were concluded;

- Foreign aid has a strong positive effect on growth in low-income countries with good policies, it has no measurable effect in Nigeria that has severely distorted policy regimes (Dollard and Adetoro, 2016).
- Foreign aid appears to increase welfare either directly or through the effect on socio-economic growth and development (Alabi and Olufunsho, 2018).
- Foreign aid has significant poverty reduction effect if well managed but in the case of Nigeria, findings proved otherwise (Williams, Taylor and Sanusi, 2018)

Some of the studies of the effectiveness of foreign aid on socio-development of Nigeria conclude that aid may affect some aspects of human development such as education and health, foreign aid has in the scope of total aid per capita and per capita health aid reduce infant mortality rates significantly but aid has no significant impact on life expectancy. Aggregate foreign aid also improves Human Development Index (HDI) and reduces infant mortality rates in less developed nations.

The flow of foreign aid in the form of financial support, technical support, entrepreneurial training, human capital development and infrastructural development programmes instituted by Nigeria all support this aim. However, in reality, the actual impact of foreign aid on the progress of developing countries has remained at best questionable. While some studies provide evidence of a positive aid-growth linkage others do not.

According to McGillivray (2006), four main alternative views on the effectiveness of aid have been suggested, namely, (a) aid has decreasing returns, (b) aid effectiveness is influenced by external and climatic conditions, (c) aid effectiveness is influenced by political conditions, and (d) aid effectiveness depends on institutional quality. Following the work of Feeny and McGillivray (2008), they indicate that there are diminishing returns to aid due to recipient countries having absorptive capacity constraints. Absorptive capacity relates to an aid recipient's ability to utilize foreign aid inflows effectively.

Despite the increased flow of foreign aid into Nigeria and the enormous potential of foreign aid in accelerating economic growth by bridging savings and foreign exchange gaps, the Nigerian economy is still characterized by low income, high unemployment, very low industrial capacity utilization, and high poverty levels, as Fasanya and Onakoya observed (2012). As a result, Njoku (2011) identified causes for Nigeria's poor economic advancement. Furthermore, he suggested that the main reason for Nigeria's delayed economic advancement stems from the country's monocultural economy, high population growth rate, import dependency, political instability, and so on.

Foreign aid has been a defining characteristic of the interaction between developed and poor countries since the 1960s. Foreign aid has been a major source of external money for the majority of African and Asian countries since their independence. Aid was first envisioned in the framework of a specific "development paradigm" in the post-World War II setting, where poor countries were seen to be trapped in a low-income equilibrium trap, unable to create significant savings to encourage capital accumulation and rapid growth. The broad consensus was that capital from industrialized countries was required to generate the necessary growth to enable economic take-off. This was the core of the two-gap model of Chenery (2016). Although the predominant nature of foreign aid has changed considerably, from project finance in the 1960s to adjustment support in the 1980s, its economic importance to recipients has remained considerable.

The United Nations Conference on Trade and Development (UNCTAD) summarized the crucial role of foreign aid to Sub-Saharan Africa (SSA) as follows: "an increase in official flows of $20 billion might spark a virtuous circle of increased national savings and investment and quicker growth in SSA." Doubling present aid to give African economies a major boost today might terminate their reliance within a decade." At the World Summit for Social Development (WSSD) in Copenhagen, donors and assistance recipients pledged to reduce the global population living in extreme absolute poverty by 2015. According to the World Bank, if the previous goals are to be met, the African economy must develop at a 7% yearly pace. Every year, a productive investment equal to 30% of African GDP is required. Given the region's low savings rates and limited immediate possibilities for recruiting private capital, this would require a 20% increase in African assistance budget, assuming all additional resources were committed entirely. Developed countries were to make every effort to raise their aid levels to 0.7% of GNP as quickly as practicable (World Bank, 2000).

Recent debates on the efficiency of foreign aid have centered on Africa, which has received the most aid per capita of any world area. Nigeria has received less foreign aid per capita than other Sub-Saharan African developing countries (SSA). While African countries received an average of $52 per person in net real Official Development Assistance (ODA) from 1990 to 1996, Nigeria received only $2.20 per person (Holmgren and Torgney, 1998). Net ODA for Sub-Saharan Africa (SSA) averaged 14% of GNP, while it was less than 1% for Nigeria. Nonetheless, help remains important to Nigeria, particularly the agricultural sector, which is a key receiver of aid. In 1990, the agriculture sector received around 25% of a total net ODA of $350 million (Herbst, 2001).

Despite the Copenhagen promise, aid to Nigeria and other developing nations has been declining. According to Lensink (2001), this is simply a manifestation of the often reported assistance tiredness. Meanwhile, throughout Africa, there is widespread indebtedness, widespread unemployment, and utter poverty. Though foreign aid has continued to play an essential role in developing countries, particularly in Sub-Saharan Africa, it is worth noting that little improvement has occurred after half a century of sending money to the Third World. Poor institutional development, corruption, inefficiency, and bureaucratic failings are frequently mentioned as explanations for the outcome in developing countries (Alesina and Dollar, 1998; Furuoka, 2008).

Furthermore, most LDCs, including Nigeria, have a large imbalance between savings and investment. Without saves, there can be no investment (Umoh, 2003), and according to Keynesians, savings equals investments ex-post. According to Keynes, the aggregate surplus of income over consumption (that is, saves) cannot be distinguished from the addition to capital equipment, also known as gross domestic investment or capital formation (CBN, 2004; Uchendu, 1993; and Uremadu, 2006). Savings are thus merely residuals, and the decision to consume and the decision to invest determine the volume of national income accumulated (rather than gross national savings) in a given period (Uremadu, 2007).

2.2.8 The Effect of Foreign Aid on Nigeria's Economic Development

The motive behind Nigeria's foreign aid is to boost economic growth and development of the nation but as a result of future high debt service payments, it poses a serious threat to her economy of the nation.

Economic researchers like (Todaro, 2011; Oyejide, 2016; Mimiko, 2017; Nwoke, 2018) have therefore sought out to investigate the implication of external debt burden on the economies of debtor nations and have come up with diverse views. Nigeria's first foreign from the Paris Club of Creditor Nations was a US$13.1 million obtained from the Italian government in 1964 for the building of the Niger Dam. However the oil boom of 1971-1981 introduced the era of massive aids in Nigeria (International Monetary Fund, 2017). Aids were acquired by various tiers of government as Nigeria embarked on major development and reconstruction projects in the wake of the civil war. The aid continued well into the fourth republic, as the Federal Government embarked on the guaranteeing of many unviable aids taken by private banks, state governments and government parastatals (Central Bank of Nigeria, 2017).

In 1982, when oil prices crashed, Nigeria was unable to pay off the aids it borrowed. This resulted in rising interest payments and mounting of trade arrears and their penalties. A critical point was reached in 1986 when creditors refused to open new credit lines for imports to Nigeria. The government therefore approached the creditors for debt relief leading to the restructuring arrangements with the Paris Club in 1986, 1989, 1991 and 2000. However this did not stop the "leaps" and "jumps" in the external debt stock which led to Nigeria to stop paying its debts to the Paris Club altogether, after the Paris Club refused to substantially reduce Nigeria's debt.

With the return to civilian rule in 1999 under the President Olusegun Obasanjo administration, Nigeria embarked on a relentless campaign for debt relief. The major concern was that Nigeria's spends more on debt service payments than it does on healthcare and education and as such with the high level of debt servicing could not achieve the millennium development goals. The campaign efforts finally paid off in 2005 when the Paris Club group of creditors agreed to cancel 60% (US$18 billion) of the US$30.85 billion owed to it by Nigeria. This debt relief freed the nation from the yearly US$2.3 billion (N345 billion) debt service burden (Central Bank of Nigeria, 2017).

According to Debt Management Office of Nigeria (2018), the lasting effect foreign aid on the socio-economic development of present day Nigeria can be grouped into six areas;

- **Inefficient trade and exchange rate policies:** Both the trade and exchange rate (monetary) policies were not quick enough to respond to show the external value of the naira at a time when there was a downturn in the oil market which led to a reduction in the flow of resources into the economy. This led to embarking upon foreign aid and in turn the accumulation of external debt.
- **Adverse exchange rate movements:** Due to the inefficient exchange rate policies, Nigeria's exchange rate system was not flexible enough to adjust to fluctuations (upward and downwards movements) in the foreign exchange market which led to continuous external aid.
- **Adverse interest rate movements:** Also the debt quagmire in Nigeria can be attributed to external aid at higher interest rates. This will in turn lead to high interest payments of external debt and as such rapid debt accumulation.
- **Poor lending and inefficient aid utilization:** Also the government of Nigeria rather than invest into capital projects that will lead to the development of the economy and also amortize the nation's debts poorly utilized the foreign aids and as such led to continuous aid.
- **Poor debt management practices**: In terms of debt sustainability and debt management Nigeria has performed poorly. The lack of understanding of the nature, structure and magnitude of external debt has not allowed for the Nigerian economy to effectively meet her debt service obligations and manage the debt stock appropriately.
- **Accumulation of arrears and penalties**: Also accumulation of trade arrears and penalties with foreign nations due to high interest payments on external debt has led to the astronomical rise in Nigeria's external debt profile.

Notwithstanding the potentials that foreign aid inflows holds for economic development process, the situation remains relatively unsatisfactory for most African countries, including Nigeria. For example, World Economic forum's Global Competitive Index (GCI) for 2012 to 2017 indicates that Nigeria remains least competitive and inadequate infrastructure is cited as a critical constraint to doing business in the continent after access to finance and corruption. This has had its cumulative negative effect on investment (capital formation) and output growth rate over time.

Specifically, Nigeria's GCI for the period 2015 to 2016 shows that the country recorded 3.46 on the 1 to 7 scale and was ranked 124th position out of 140 countries. This position is down-sliding compared to countries like South Africa (4.47, 47th), Cote d'Ivoire (3.86, 99th), Ghana (3.68, 114th) and Gabon (3.79. 108th) (Orubu,2019) Although there seems to be a consensus among policy makers and researchers that if foreign aid is well managed, the development capability of nations would be significantly enhanced.

The effects of foreign aid on economic development process can be classified into two categories. Firstly, there is the direct effect which results when foreign aid leads to increases in output due to marginal productivity increases. Secondly, is the indirect effect which comes from increased economic activity that may result from new capacity to engage more productive resources or develop complementary infrastructure.

At this juncture, it is safe to posit that foreign aid isn't always used effectively in Nigeria because:

- Corruption in the government and individuals means aid is lost or not given to the right people
- There have been claims aid money has been used to supply the Navy
- Donors of aid may have political influence over who does and does not benefit. In addition, they may use donations to promote themselves.

Few governments or international agencies now give aid directly to the Nigerian government because they are skeptical about how best Nigeria is going to utilize such aid flows as a result of the aforementioned reasons.

In a nutshell, the lasting impact of foreign aid on the socio-economic development of present day Nigeria is nothing to write home about as it has manifested in high rate of unemployment among the active labour force, high poverty rate, low per capital income despite the fact that World Bank-funded aids to businesses are meant to help diversify the economy away from being dependent on oil so that new companies and industries are developed. The resultant effect of this continues to manifest in forms of inadequate social amenities, high budget deficit also as a result of high rate of corruption in all government parastatal etc. This position was corroborated by the Minister of Finance in person of Kemi Adeosun when she said in her statement that "Nigeria problems is as a result of infrastructural gap in the country of which all efforts must be directed towards bridging the accumulated infrastructural deficit in the economy so that the required growth and development can be achieved" (Adebanjo, 2018).

Also, Nwankwo (2018) expresses that;

> *"When you are in the kind of economic situation the country has found itself, you have to decide where you want to start addressing the problem. The most critical point to start is to deal with infrastructure problem in the country that has been militating against foreign aid and its relative importance to the socio-economic and political development of Nigeria".*

In Nigeria, a Sub-Saharan African (SSA) country, the problem of mobilizing savings and deposits has always been the bane of economic growth and development. Savings and investment are very minimal in Nigeria due to high inflation and constant devaluation of the local currency and this leads to dearth of credit to the economy (Uremadu, 2006, 2007). As financial resources are a very vital factor in economic development, its mobilization will lead to increased capital formation. Capital formation or gross domestic investment (GDI) requires the release of domestic goods and services for real asset investment or the import of resources from outside or, as it is usually the case, a combination of the two (Uremadu, 2018).

The average per capita income in the region has fallen since 1970 despite the high aid flows. This scenario has prompted aid donor agencies and experts to revisit the earlier discussions on the effectiveness of foreign aid (Lancaster, 1999). Therefore, the macroeconomic impact of foreign aid on domestic savings in developing economies remains inconclusive and is worth being studied further. Therefore, it is discovered that there exist a gap between the domestically available supply of savings, foreign exchange, government revenue and skills and the planned level of the resources necessary to achieve development targets that leads to poverty alleviation in Nigeria. This gap necessitates the need for external resources to augment domestic resources in the country.

These external resources can be in the form of foreign aid. The principal economic arguments advanced in support of foreign aid is that it can play a critical role in supplementing domestic resources in order to relieve savings or foreign exchange bottlenecks. The key question is whether aid has effectively played this role by its effect on Nigeria's growth and their level of poverty. It is important to note that not only factors such as the amount and type of financial aid impact the effectiveness of available funds but also the appropriate use of these funds by the receiving country plays a vital role.

2.3 Empirical Studies

This study is an empirical analysis on the nature of foreign aid and its impact on Nigeria's economic development. Following from above, it is important to establish here a great deal of research has been done on the effects of foreign aid on economic growth and other related concerns. Previous empirical investigations yielded conflicting findings. This report specifically mentions a few of them. For example, Papanek (1973) examined foreign aid, foreign investment, other flows, and domestic savings as explanatory variables in a cross-country regression analysis of 34 countries in the 1950s and 51 countries in the 1960s, and discovered that foreign aid has a significantly greater effect on growth than the other variables. He went on to say that, unlike domestic savings, help can address both the foreign exchange and savings gaps. Unlike foreign private investment and other foreign inflows, aid is supposed to be specifically designed to foster growth and, more importantly, is biased toward countries with a balance-of-payment constraint.

Similarly, Fayissa and El-Kaissy (1999) discovered that foreign aid has a beneficial effect on economic growth in poor nations in a study of 77 countries across three sub-periods: 1971-1980, 1981-1990, and 1971-1990. They demonstrate, using modern economic development theories, that foreign aid, domestic savings, human capital, and export are all positively connected with economic growth in the countries investigated. Burnside and Dollar (2000) examined the relationships between macroeconomic policy choices and growth from a different approach. According to their findings, countries that implement effective and stable policies benefit more from aid. However, the study also revealed no evidence that foreign aid encourages the adoption of good macroeconomic policies, thereby stipulating that foreign aid is a waste to counties without appropriate and stable domestic policies.

Hansen and Tarp (2000) evaluated the relationship between foreign aid and economic growth up until the mid-1990s. They found that a positive aid-growth relationship exists after various theoretical and empirical analyses. Feeny and McGillivray (2008) agreed with Hansen and Tarp (2000), but stated that the ability of foreign aid to promote economic growth is dependent on aid recipients' absorption capability. The ability to utilise external resources productively is determined by a variety of factors, including existing infrastructure, accessible skilled labor, and the institutional and administrative capability of national and local governments. Excessively high amounts of foreign aid raise problems of absorption capacity and are thus counterproductive.

Above importantly, Karras (2006) explores the relationship between foreign aid and per capita GDP growth using annual data from 1960 to 1997 for a sample of 71 aid-receiving developing countries. This article concludes that foreign aid has a beneficial, long-term, and statistically significant effect on economic growth. More specifically, a $20 per person permanent increase in foreign aid results in a 0.16 percent permanent rise in the growth rate of real GDP per capita. These findings are achieved without taking into account the consequences of policies.

Gomanee, Girma, and Morrissay (2005) investigate the methods by which help affects growth directly. The authors found that foreign aid has a significant beneficial effect on economic growth in a sample of 25 Sub-Saharan African nations from 1970 to 1997. They also identified investment as the most important transmission channel. According to the findings of this research, each one percentage point rise in the aid/GNP ratio contributes one-quarter of a percentage point to the growth rate. As a result, factors other than inefficient aid must be blamed for Africa's dismal growth record.

Addison, Mavrotas, and McGillivray (2005) investigate trends in official aid to Africa from 1960 to 2002. They emphasized the drop in aid flow to Africa during the last decade, which will have a detrimental influence on the African economy as a whole. This paper indicates that help does, in fact, boost growth and alleviate poverty. Furthermore, it has a beneficial impact on aggregates in the public sector, resulting to higher public spending and decreased domestic aid. Fasanya and Onakoya (2012) examined the impact of foreign aid on Nigerian economic growth from 1970 to 2010. The empirical analysis is based on the theoretical framework of neoclassical modeling and incorporates various approaches from recent econometric analysis/estimation methodologies. Their findings show that aid flows has significant impact on economic growth in Nigeria: domestic investment increased in response to aid flows and population growth has no significant effect on aid flows. Aid flows also provides free resources to increase domestic investment, thus confirming the aid-policy-growth hypothesis.

Nkoro and Furo (2012) also show that foreign aid has a large positive influence on the country's real GDP. Ram (2004) examines the topic of poverty and economic growth through the lens of recipient country policies, which he believes have a critical influence in the effectiveness of foreign aid. Nonetheless, the author of his research disagrees with the widely held belief that shifting aid to countries with stronger policies leads to higher rates of economic growth and poverty alleviation. As a consequence of his research, the author believes that there is little evidence to support the widely held idea that diverting foreign aid to nations with good 'policy' will have a greater influence on growth or poverty reduction in developing countries.

Duc (2006) studied 39 countries in his research on foreign aid and economic growth in developing countries, 5 from East Asia, 3 from South Asia, 2 from Europe and Central Asia, 13 from Latin America and the Caribbean, 5 from the Middle East and North Africa, and 11 from Sub-Saharan Africa. He based his model on the endogenous growth theory developed by Barro (1991), and this incorporated foreign aid as an additional explanatory variable. Using sub-periods 1975 and 1992-2000, as well as the overall period 1975-2000, he discovered that economic growth in developing nations had a negative and insignificant relationship with foreign aid. He further argued that in countries where the institutional environment is distorted, aid could be fungible into financing government's consumption instead of being effectively invested.

Amakom (2010) considered the role of improved economic governance in determining the effectiveness of foreign aid for generating economic growth in Nigeria. Employing the coefficient of determination, the paper tested the degree of effectiveness of ODA to the variables (economic governance indicators) and found mixed results. While ODA was effective for some variables like exchange rate and interest, it was less effective for boosting economic growth and making poverty a history in Nigeria because of its volume.

Bakare (2011) used Nigeria as a case study to investigate the macroeconomic impact of foreign aid in Sub-Saharan Africa. He used the Vector Autoregressive Model (VAR) to identify the causes of growth shock in Nigeria, and he considered foreign aid as an endogenous variable. The study discovered a negative association between foreign aid and output growth, implying that foreign help tends to impair rather than improve output development in Nigeria. Chenery and Carter (1973), utilizing data from 50 nations from 1960 to 1970, followed the prior two-gap derived model of Chenery and Strout (1966). show that the effects of ODA on the development performance of countries under study are different among certain groups of countries. In five countries, namely Taiwan, Korea, Iran, Thailand and Kenya, foreign assistance accelerated economic growth whereas in six cases it retarded growth, i.e. India, Colombia, Ghana, Tunisia, Ceylon and Chile.

Singh (1985) examined the impact of interventionist state policy on economic growth. The study using cross-sectional OLS method revealed that both the savings rate and the rate of foreign aid were positive and significant. However, when an index of state intervention was introduced into the model, foreign aid became insignificant. With savings as the response variable, foreign aid was negative and significant when the index of state intervention was introduced into the model. Easterly (2003) conducted a new test on the previous work of Burnside and Dollar (1998). With a larger sample size (1970 to 1997 compared to BD‘s 1970-1993), they find that the result is not as robust as before and therefore claim that the question of aid effectiveness is still inconclusive.

Burnside and Dollar (2004) revisited the relationship between aid and growth using new data set focusing on the 1990s. Their evidence supports the view that the impact of aid depends on the quality of state institutions and policies. They employed an overall measure of institutions and policies popular in the empirical growth literature. The interaction of aid and institutional quality has a robust positive relationship with growth that is strongest in instrumental variable regressions. There is no support for hypothesis that aid has the same positive effect everywhere.

Murphy and Tresp (2006) reconsidered the role of economic policy in determining the effectiveness of foreign aid for generating economic growth in developing countries. They updated and modified the dataset originally used by Burnside and Dollar (2000) in order to more fully consider the critique presented by Easterly (2003). Their findings suggest that the relationship among foreign aid, government policy, and economic growth is tenuous and depends importantly on the subset of countries included in the analysis. Good policy enhances the effectiveness of foreign aid in spurring growth when we use the original set of countries included in Burnside and Dollar, but this relationship disappears for an expanded set of countries. Because the relationship among aid, policy, and growth is likely to be nonlinear, they presented an alternative probit model emphasizing growth thresholds. Their results from this alternative analysis confirmed the conclusions of Easterly, finding little support for the view that good policy increases the probability that foreign aid contributes to growth.

As pointed out by Feeny and McGillivray (2008), a reasonably robust finding of recent studies is that there is an inverted U-shaped relationship between aid and growth. This finding indicates that there are diminishing returns to aid due to recipient countries having absorptive capacity constraints. Absorptive capacity relates to an aid recipient's ability to utilize foreign aid inflows effectively. Ekanayake and Chatrna (2010) analysed the effects of foreign aid on the economic growth of developing countries. They used annual data on a group of 85 developing countries covering Asia, Africa, and Latin America and the Caribbean for the period 1980-2007. They explore the hypothesis that foreign aid can promote growth in developing countries. They tested this hypothesis using panel data series for foreign aid, while accounting for regional differences in Asian, African, Latin American, and the Caribbean countries as well as the differences in income levels. Their results indicate that foreign aid has mixed effects on economic growth in developing countries.

Having reviewed several literatures on the relationship between foreign aid and economic growth; Papanek (1973), Fayissa and El-Kaissy (1999), Burnside and Dollar (2000), Hansen and Tarp (2000), Fasanya & Onakoya (2012), Nkoro & Furo (2012) etc. find evidence for positive impact of foreign aid on growth, Duc (2006), Bakare (2011) find evidence for negative impact of foreign aid on growth while Chenery and Carter (1973), Singh (1985), Easterly, (2003), Ram (2004), etc. find evidence to suggest that aid has no specific impact on growth. The explanation for the inconclusive results remains unclear, but many authors have suggested theoretical and/or methodological and econometric causes as reported by Moreira (2005).

Ishnazarov & Cevik (2017) focused their study on the effectiveness of official development assistance (ODA) in promoting human development and economic progress of the recipient Organization of Islamic Cooperation (OIC) member countries between 2002 and 2015. The study particularly measures the impact of ODA classified by sectors on the components of Human Development Index (HDI) such as standards of living, life expectancy and education indices while controlling for the magnitude of civil violence, population growth, foreign direct investment, income, urbanization and regime type. It was found from the results that ODA is effective in influencing human development, having a greater and a more efficient impact on human development than other development instruments included in the analysis. The study equally reveals that civil violence is very harmful to HDI. In view of the findings, the study recommended for increase in ODA, especially, aid flows to health and education sectors, and intensify efforts to prevent and reduce civil violence to substantially attract foreign aid.

Gillanders (2016) applied a vector autoregression model panel data driven analysis in examining the aid effectiveness hypothesis in the sub-Saharan African countries. This method was considered as it avoids the need for instrumental variables and allows one to analyze the effect of foreign aid on human development and on economic development simultaneously. It was evidence from the overall sample results that a small increase in economic growth is attributed to a fairly substantial aid shock. The size of the effect puts the result somewhere between the arguments of aid optimists and those of aid pessimists. It was obvious from the study that human development measured by the growth rate of life expectancy responds positively to aid shocks in countries studied.

Ogundipe, Ojeaga, & Ogundipe (2014) analyzed the relationship between foreign aid and economic development in the sub-Saharan Africa with special attention to the role of macroeconomic policy in aid effectiveness in SSA countries. The study relied on the GMM technique of estimation with a view to overcoming to overcome the challenge of endogeneity perceived in the institution variables and aid-growth nexus. It was observed that foreign aid does not significantly influenced real GDP per capita in the sub-Saharan Africa. Subsequently, capital stock, labour force, institutional quality and human capital were found to contribute meaningfully contributed to economic development in SSA.

Tang & Bundhoo (2017) offered a better understanding of the aid-growth nexus in the sub-Saharan African (SSA) region. The study specifically examined the link between ODA and the economic growth rate in the SSA focusing on the ten largest recipients of international aid. These countries include Ethiopia, the Democratic Republic of Congo, Tanzania, Kenya, Côte d'Ivoire, Mozambique, Nigeria, Ghana, Uganda and Malawi. Multiple regression analysis was utilized as data analysis method and the result showed that aid by itself does not have significant impact on economic growth. The result further revealed that foreign aid enhances economic growth through investment and imports. This is an indication that foreign aid is a good ingredient for supplementing investment and imports requirements in the countries sampled. Overall, the study concludes that foreign aid is conditional on the economic, political and institutional environment of the recipient country.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Pre-experimental research design, experimental research design, quasi-experimental research design, cross-sectional research design, and descriptive research design are examples of research designs. The descriptive research design was chosen for this investigation.

This research is descriptive in nature because it takes a historical method to obtaining valid information on the topic matter of this research by examining secondary sources of data. Another cogent reason for the adoption of historical research method is that, as it relies on data from the past, it therefore becomes somehow difficult to manipulate already existing data.

3.2 Method of Data Collection

Regardless of the subject of study or preferred method of data definition (quantitative vs. qualitative), reliable data collecting is critical to the integrity of research. The use of appropriate data gathering instruments (existing, modified, or newly invented) as well as properly defined instructions for their proper use reduces the possibility of errors happening.

The data generated for this research was from secondary sources. The justification for using this method of data collection is that sometimes it is difficult to obtain primary data; in these cases getting information from secondary sources is easier and possible. Sometimes primary data does not exist in such situation one has to confine the research on secondary data. Sometimes primary data is present but the respondents are not willing to reveal it in such case too secondary data can suffice.

In light of the foregoing, the researcher visited academic libraries and book shops where relevant materials were obtained. Information was also obtained directly from online newspapers, journals, text books, documented literature and others. When selecting materials needed for the researcher, the researcher made sure information from used materials have credible sources to avoid articulating spurious statements in the thesis. To achieve this the selected materials were subjected to plagiarism tests to establish its authenticity.

3.3 Method of Data Analysis

This research adopted the descriptive method of data analysis because descriptive statistics enables us to present the data in a more meaningful way, which allows simpler interpretation of the data. When we use descriptive statistics it is useful to summarize our group of data using a combination of tabulated description (i.e., tables), graphical description (i.e., graphs and charts) and statistical commentary (i.e., a discussion of the results). This method of data analysis is heavily used in qualitative research because all data are systematically presented qualitatively.

CHAPTER FOUR
RESEARCH ANALYSIS

4.1 Answering Research Questions

Research Question 1: What is the significant impact of aid dependency on Nigeria's economic growth and development?

The major consensus in existing research is that foreign aid can be a potent instrument through which developed countries can contribute to the development of poor developing countries like Nigeria. Based on the findings of previous research on the benefits of foreign aid on the socio-economic development of Nigeria's fourth republic, the following were concluded;

- Foreign aid has a strong impact on growth in developing countries like Nigeria if there are good socio-economic policies that are to be put in place.
- Foreign aid has the inclinations to increase welfare of citizens either directly or through its lasting impact on socio-economic growth and development
- Foreign aid has significant poverty reduction effect if well managed but in the case of Nigeria, findings have proved otherwise (Williams, Taylor and Sanusi, 2018)

Some of existing literature of the effectiveness of foreign aid on socio-development of Nigeria conclude that aid flows may affect some aspects of human development such as education and health, foreign aid has in the scope of total aid per capita and per capita health aid reduce infant mortality rates significantly but aid has no significant impact on life expectancy. Aggregate foreign aid also improves Human Development Index (HDI) and reduces infant mortality rates in less developed nations.

The flow of foreign aid in the form of financial support, technical support, entrepreneurial training, human capital development and infrastructural development programmes instituted by Nigeria all support this aim.

However, in reality, the actual impact of foreign aid on the progress of developing countries has remained at best questionable. While some studies provide evidence of a positive aid-growth linkage others do not.

The motive behind Nigeria's foreign aid is to boost economic growth and development of the nation but as a result of future high debt service payments, it poses a serious threat to her economy of the nation.

Most foreign aid in Nigeria comes from countries like the UK, USA, China, Russia and the host of others but organisations like The World Bank and charities also provide support. The most successful aid projects are small and community-based, supported by charities and Non-Governmental Organisations (NGOs). These deliver help directly where needed so that no money is wasted. For this indicator, the data for Nigeria's foreign aid dependency on the United States from 1960 to 2019 will be depicted in fig. 1 below. The average value for Nigeria during that period was 906.15 million U,S, dollars with a minimum of 20.72 million U,S, dollars in 1963 and a maximum of 11431.96 million U,S, dollars in 2006. The latest value from 2019 is 3517.32 million U,S, dollars. For comparison, the world average in 2019 based on 131 countries is 840.02 million U,S, dollars (The Global Economy, 2022).

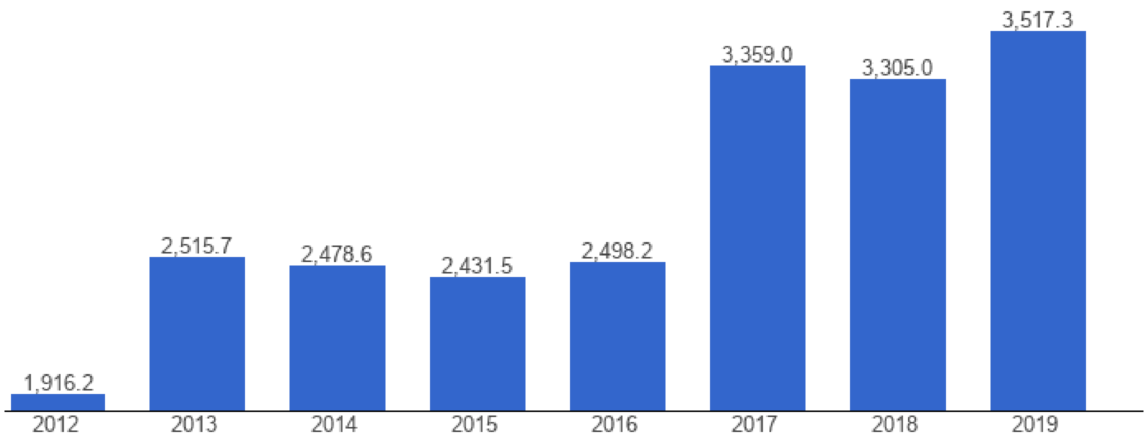

Fig. 1: Chart showing Nigeria's dependency on the United States for foreign aid from atleast 2012-2019 (The Global Economy, 2022)

According to Debt Management Office of Nigeria (2018), the lasting impact foreign aid has on the socio-economic development of present day Nigeria is counter-productive and it can be observed in six key areas;

- **Inefficient trade and exchange rate policies:** Both the trade and exchange rate (monetary) policies were not quick enough to respond to show the external value of the naira at a time when there was a downturn in the oil market which led to a reduction in the flow of resources into the economy. This led to embarking upon foreign borrowing and in turn the accumulation of external debt.
- **Adverse exchange rate movements:** Due to the inefficient exchange rate policies, Nigeria's exchange rate system was not flexible enough to adjust to fluctuations (upward

and downwards movements) in the foreign exchange market which led to continuous external borrowing.

- **Adverse interest rate movements:** Also the debt quagmire in Nigeria can be attributed to external borrowing at higher interest rates. This will in turn lead to high interest payments of external debt and as such rapid debt accumulation.
- **Poor lending and inefficient loan utilization:** Also the government of Nigeria rather than invest into capital projects that will lead to the development of the economy and also amortize the nation's debts poorly utilized the foreign loans and as such led to continuous borrowing.
- **Poor debt management practices**: In terms of debt sustainability and debt management Nigeria has performed poorly. The lack of understanding of the nature, structure and magnitude of external debt has not allowed for the Nigerian economy to effectively meet her debt service obligations and manage the debt stock appropriately.
- **Accumulation of arrears and penalties**: Also accumulation of trade arrears and penalties with foreign nations due to high interest payments on external debt has led to the astronomical rise in Nigeria's external debt profile.

In a nutshell, the lasting impact of foreign aid on the socio-economic development of present day Nigeria has manifested in high rate of poverty, low per capital income, inadequate social amenities, high budget deficit, high rate of corruption in all government parastatal etc. This position was corroborated by the Minister of Finance in person of Kemi Adeosun when she said in her statement that "Nigeria problems is as a result of infrastructural gap in the country of which all efforts must be directed towards bridging the accumulated infrastructural deficit in the economy so that the required growth and development can be achieved" (Adebanjo, 2018).

Nigeria's external debt as a result of its incessant reliance on foreign aid most especially in the form of cash aid loans is more massive and has grown in the same proportion as the internally generated revenue of this area. The issue of foreign aid flows has actually done more harm than good on Nigeria's economy because of the conditionalities that go with it.

Research Question 2: What are Nigeria's reasons for dependency on foreign aid to facilitate her economic growth and development?

One of the main reasons why Nigeria receives a considerable amount of aid is due to the significant inequality of wealth within the country. According to the UK Department for

International Development (DFID), despite having the largest economy in Africa, around a third of Nigerians (60 million) live below the national poverty line, with around another third just above. Fig. 2 below shows the proportion of Nigerians living in extreme poverty.

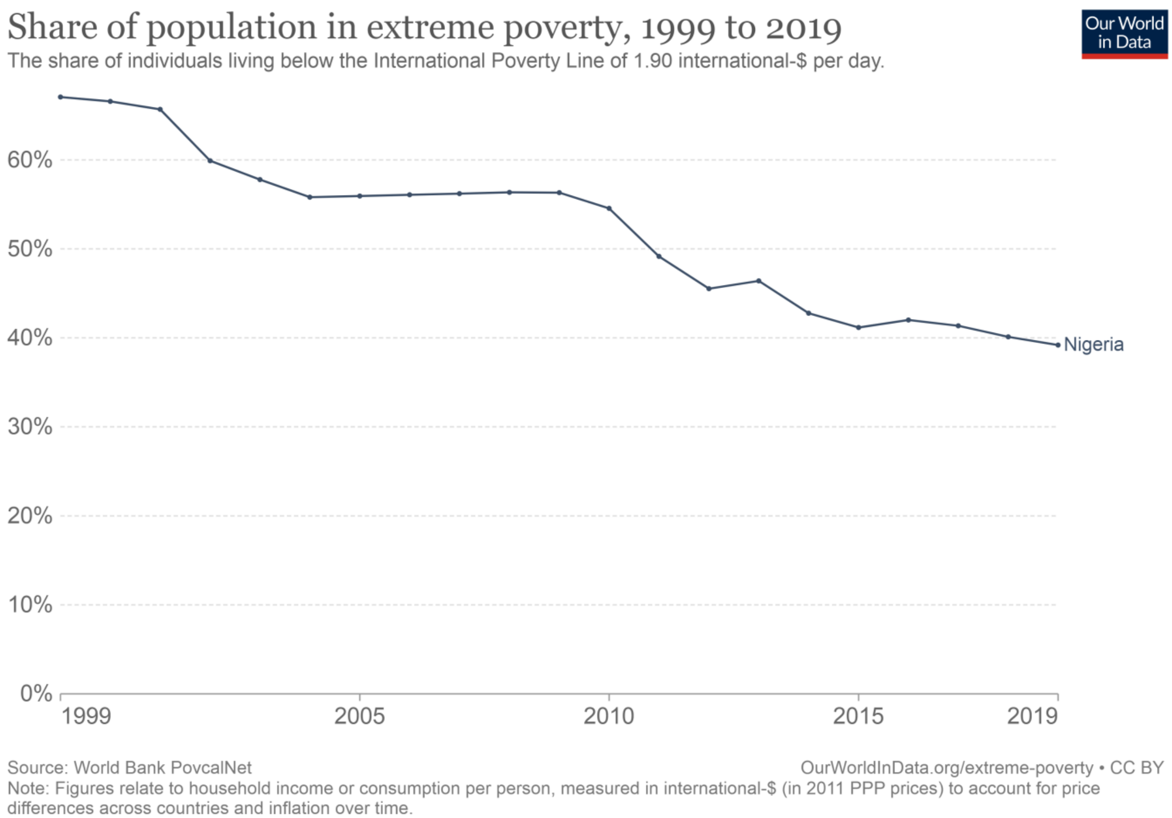

Fig. 2: Chart showing share of population in extreme poverty from atleast 1999-2019 (Internet Geography, 2022)

Furthermore Obadan and Uga (2017) stressed the fact that countries especially the less developed countries seek foreign aid is to raise capital formation and investment which has been previously hampered by low level of domestic savings. Ultimately the reasons why countries borrow boils down to two major reasons which are to bridge the "savings-investment" gap and the "foreign exchange gap".

For many developing countries like Nigeria the constant balance of payment deficit have not allowed for capital inflow which will bring about growth and development. Since the foreign exchange earnings required to finance this investment is insufficient external borrowing may be the only means of gaining access to the resources needed to achieve rapid economic growth.

Research Question 3: What is the theory that is best suited to understand Nigeria's overreliance of foreign aid to boost her economy?

The theory best suited to understand Nigeria's overreliance of foreign aid to boost her economy is the Dependency Theory. According to the dependency theory, Nigeria, like several "under-developed" countries, has always had the illusion that it is developing. For example, one of the main objectives of the Fourth National Development Plan 1981-1985 "is self reliance" which has been defined in the plan to mean increased dependence on our own resources in seeking to achieve the various objectives of society as well as efforts to achieve optimum utilization of our human and material resources (Fourth National Development Plan 1981-1985). But the implementation of this development plan does not appear to be reflecting the objective of a self-reliant development.

The Illusion that Nigeria is developing has persisted over time because we tend to associate development with mere artefacts produced by the industrialized west and east. This wrong conception of development has made Nigerian leaders educators to fashion out a wrong development strategy which favours the industrialized west to the detriment of Nigerian. This strategy has created a dependency situation in which Nigerian exports the west. It has also led to a close linkage between foreign capital and multinational corporations with the Nigerian labour.

The stark reality of the present day Nigeria is that the gulf between the rich and the poor, the urban and the rural areas is being widened. There is increased unemployment, urban flight and violent crimes which will over awe our ancestors. This situation is made worse by a decadent agricultural system and increased dependence on imported food**.** Nigerians shun anything made in Nigeria and crave for imported goods.

A glaring case is the International Monetary Fund (IMFs) harsh conditions whenever there is a possible aid loan to Nigeria. The conditions include, among other things, devaluation of the Nigerian naira, privatization of some government companies, reduction of government equity involvement in commercially viable companies such as banks; trade liberalization, curtailing social programmes and the IMFs assumption of a supervisory role in implementing the loan package. These conditions are conflicting with the objectives of Nigeria's quest for socio-economic development and self-sustenance since they will, in various ways, contribute to increased dependence of the Nigerian economy upon foreign aid actors.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study discussed nature of foreign aid and its impact on Nigeria's economic development. This study was structured in five chapters. It formulated two research questions to guide the study while discussing existing literatures on the subject matter. Two theories were used to anchor the study and give it proper intellectual framework.

This research is descriptive in nature because it employs a historical approach that focuses on the examination of secondary sources of data to obtain valid information on the subject matter of this research. Another cogent reason for the adoption of historical research method is that, as it relies on data from the past, it therefore becomes somehow difficult to manipulate already existing data. The data generated for this research was from secondary sources. The researcher visited academic libraries and book shops where relevant materials were obtained. Information was also obtained directly from online newspapers, journals, text books, documented literature and others. This research adopted the descriptive method of data analysis because descriptive statistics enables us to present the data in a more meaningful way, which allows simpler interpretation of the data. From the analysis the following findings were ascertained;

- The lasting impact of mismanagement of foreign aid on the socio-economic development of present day Nigeria has manifested in high rate of poverty, low per capital income, inadequate social amenities, high budget deficit, high rate of corruption in all government parastatal and many others. Despite the perceived benefits of foreign aid in the socio-economic development of Nigeria, the government has been found wanting when it comes to using aid flows for boosting the economy of Nigeria so as to facilitate improved standard of living of her citizens
- The reasons for foreign aid flows into Nigeria are predominantly two; the first is of macroeconomic intent while the other is to reduce budget constraint by financing fiscal and balance of payment deficits.

In a nutshell, Nigeria as a developing country is no doubt regarded as being poor not because she does not have the resources but because bulk of their resources (income) are being channelled to meeting the consumption needs of their people with little or nothing left for savings. Hence low savings rate brings about low investments rate and low investments rate results to low growth rate. Therefore, poverty at the beginning through low savings, low investments and low growth leads to poverty again (vicious circle of poverty). For this reason, Nigeria is left with no option than to result to external borrowings and foreign assistance (foreign aid) to bridge the saving-investment gap with the intention to achieving economic growth and poverty reduction. Nigeria has continued to benefit from all sorts of foreign assistance and in fact still collect at least as much as the amount collected in the early 1980s, yet socio-economic development has remained dismal because of the spate of corrupt practices among political leaders.

5.2 Recommendations

From the conclusion, the study recommends that;

i. The government of Nigeria needs to tackle the various socio-economic and political problems facing her domestically ranging from insecurity, corruption, high level of illiteracy and poverty, all these menace that continues to facilitate and encourage to be dependent on developed nations.

ii. Nigerian government should sustain the current reforms in the various sectors of the economy to discourage the inflow of foreign aid. The reforms are based on the need to encourage rapid growth and development, and to reverse the negative effects of foreign aid.

iii. Donors should improve aid predictability by using a multi-year framework for future aid commitments and providing information to Nigeria and other recipient countries on the future path of aid disbursements. Such transparency will reduce the uncertainty associated with aid flows and improve fiscal planning.

iv. The federal government should conduct an urgent review of Nigeria's foreign policy to capture the protection of the rights and the welfare of Nigerians at home and abroad. Once Nigerians are satisfied, the need to seek external assistance will be defeated

v. There is a need for the current administration to be more pragmatic about tackling corruption in Nigerian public institutions. A high level of corruption stunts development within the country and consequently affects the country's stature in international affairs.

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